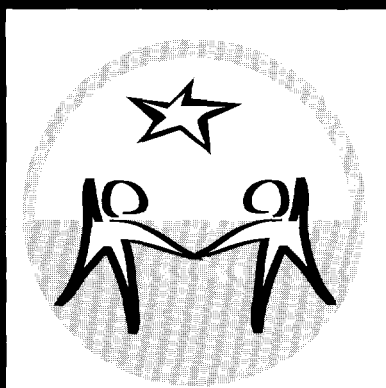


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# Operating Instructions Included: A Review of Social Investment Fund Operations Manuals

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A Review of Social Investment Fund Operations Manuals**

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## **Abstract**

Social investment funds are being used in a growing number of countries to alleviate the impact of political, social and economic crises, cushion the impact of adjustment programs, generate employment and finance small-scale investments in poor communities. The social fund operations manuals promote transparency with respect to social fund organization and the administrative, financial and technical arrangements used by the fund to execute its program. This study reviews the operations manuals of fifteen social funds, notes variations in content and structure and discusses elements that are essential and those that are unique to some of the funds. It proposes a set of guidelines for addressing some of the core issues in the preparation of social fund operations manuals. The paper concludes with some recommendations for improving the quality and utility of the social fund operations manuals.



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## **Executive Summary**

Social investment funds (SIFs) are used in a growing number of countries to alleviate the effects of social and economic crises, cushion the impact of adjustment programs, generate short-term employment, and finance small-scale investments in poor communities. Since 1987, the World Bank has supported more than 60 social fund programs. The uniform technical, administrative and financial management procedures used by the social funds as described in their operations manuals serve as a proxy for the project implementation manual and promote transparency in the financing of community based projects. These transparent procedures have been instrumental in gaining support for social funds from beneficiaries, donor organizations and public and private sector institutions.

This study reviews the operations manuals of fifteen social funds, notes variations in content and structure and identifies elements that are essential and those that are unique to some funds. It proposes a set of guidelines for addressing core issues in the preparation of operations manuals. The paper concludes with recommendations for improving the quality and utility of the operations manuals.

The principal finding of this review is that the overall quality of the operations manuals is good. The reader is able to gain a general understanding of each fund's objectives, program and procedures from reading the manuals. The organization of the manuals varies significantly, however, and the treatment of some issues is uneven, despite the similarity in the contents of the manuals.

There is a set of key issues in the manuals that are essential ingredients of the social fund program. The size of the social fund, number and functions of personnel, operations of regional offices, and the anticipated use of the manuals by the fund's Board of Directors, staff, consultants, and other institutions can help the fund to determine the organization and composition of its operations manuals. There is no single format that will work for all of the funds.

Each operations manual should include a summary of the social and economic conditions that led to the establishment of the social fund and a brief exposition of the policy framework that provides the rationale for the social fund program. The operations manual that begins with clearly stated objectives or program goals provides a logical framework for

the social fund program that can help the fund to maintain internal consistency in its operations, and enhance its coordination with governmental and non-governmental organizations.

Information regarding the institutional structure of the fund is essential to understanding how the social fund functions. Most social funds are overseen by a Board of Directors or in some cases, a Steering Committee composed of representative of the government, the private sector and nongovernmental organizations.

The project cycle is the critical path of the social fund's work. It is frequently described in the operations manual by a flow chart that illustrates the movement of the subproject through the social fund system from promotion and project identification through completion, project start-up and evaluation. The project cycle has the same basic structure in all of the social funds reviewed but there are variations in some aspects of the cycle.

Participatory planning is regarded as an essential ingredient of the work of most social funds, but not all operations manuals discuss the explicit procedures that are used to ensure community participation in the project cycle. Without explicit directions that explain how the participatory process works, the actual participation of community members is left to chance. Community commitment to projects financed by the social funds may be more difficult to achieve without some degree of participation.

Training activities financed by the social funds tend to fit into three categories: (i) parallel programs executed by social fund staff; (ii) programs or program components that are financed and executed by contractors or non-governmental organizations; or (iii) activities integral to the subproject that are executed as part of the project cycle. Detailed information regarding training programs does not usually appear in the operations manual. The programs are often executed by consultants and non-governmental organizations.

All social funds use project monitoring indicators. Many of the lists follow the format of the logical framework and are divided into input, process, output and outcome indicators. The operations manuals reviewed include from ten to over one hundred indicators. The operations manuals describe the management information system and data collection procedures but there is no information regarding who has access to the indicators, who uses

them and for what purpose, or whether there is any provision for the indicators list to be reviewed and modified.

The operations manuals include considerable information on procurement practices. Some social funds have decentralized the management of procurement to the community level. This strategy may involve the development of contractor capabilities and training of community groups in project and contract supervision. Direct contracting using a unit price cost structure to ensure efficiency and cost effectiveness has been applied to reduce delays in project execution and ensure the involvement of community groups in project implementation. Some social funds contract local and regional nongovernmental organizations to implement projects, particularly those that involve the delivery of social services.

The flow of funds from the social fund to communities, beneficiaries and intermediary organizations is described in operations manuals and the information is made available to community groups, beneficiaries and intermediary organizations during project promotion and preparation. This is another aspect of the transparency of social fund operations that contributes to confidence in the institution. The management of funds throughout the project cycle varies and may involve the establishment of local accounts managed entirely by a community or beneficiary organization, the delegation of authority to establish local accounts to the regional office of the social fund, or the centralized management of all social fund financial management functions.

Many of the social investment funds delegate project development and implementation responsibilities to nongovernmental organizations. Most of the operations manuals have explicit guidelines for the participation of these intermediary institutions in the work of the fund. The advantage of working with intermediary organizations in those countries where qualified institutions exist is that they often compensate for the lack of local and regional institutional capacity. Their experience with projects can make them invaluable partners to the social fund and the beneficiary communities. The risk of working with intermediary institutions is that they have developed their own constituency, agenda and modus operandi that may not be adaptable to the social fund program.

The principal conclusion of this review is that there is a series of key issues that need to be addressed in all social fund operations manuals and some essential information that all of the operations manuals contain or should contain, either in the principal document or supporting documents and annexes. The operations manual should contain information on the policy framework and social fund objectives, organization and institutional structure, the beneficiary community and project targeting mechanisms, the project cycle, project approval procedures, project implementation planning, project supervision and planning for sustainability, community participation and beneficiary contributions, training activities, procurement procedures, disbursement and financial management procedures, project monitoring, evaluation, research and studies, the management information system and interagency coordination.

Given the volume of information included in the operations manuals, an introduction that explains how the manual is organized, a guide to the manual including a table of contents, glossary, list of acronyms, annexes and supplementary volumes would be useful for all of the manuals. Operations manuals should be reviewed and updated regularly to reflect changes in the policy mandate, institutional arrangements and program content and incorporate lessons learned.

The overall organization of the manuals merits some review and rethinking, perhaps with the participation of users groups. Working groups could be organized to address technical issues, administrative issues, and overall issues of format and content. This activity could extend beyond the individual social funds to include an exchange of information, experience and ideas among representatives of a number of social funds in a forum that encourages the sharing of knowledge and experience. Representatives of the poor communities that have experience with social fund projects could be invited to participate in these discussions.

## **I. Introduction**

### **1. Background**

Social investment funds (SFs) are being used in a growing number of countries to alleviate the social and economic impact of economic crises, cushion the impact of adjustment programs, generate short-term employment, and finance small-scale investments in poor communities. While programs and projects that resemble social funds are nothing new, the use of the social fund strategy on a large scale is less than twenty years old. Since 1987, the World Bank has supported more than 60 social fund programs. The objectives and strategies of the social funds have evolved over time and there is a growing emphasis on community participation, local capacity building to ensure the sustainability of investments, closer coordination with local governments and in some countries, support for national policies related to the decentralization of government. The challenge for the future will be to adapt the social fund programs as social, economic and political conditions evolve and to ensure their continued relevance to the changing priorities of the government and communities served by the fund.

There is no single organizational model or method of operation for the social fund programs. Most are autonomous entities but a few are incorporated into the programs of existing government organizations. Their principal activity is the financing of a large number of small-scale programs designed to reach communities and population groups that have been excluded or underserved in the past or who have suffered the greatest negative impact of political or economic crises, natural disasters or the aftereffects of adjustment programs.

The operations manual of the social fund serves the same function as the project implementation manual of an investment project. However, it differs significantly in form and content from the standard project implementation manual. The project implementation manual usually describes in detail the project implementation schedule and procedures to be followed to execute a project whose components have been defined prior to its initiation. The social fund operations manual describes the procedures to be used to prepare and implement community-based subprojects that will be identified by the beneficiaries and financed by the social fund during project implementation. The social fund operations

manual allows the Bank and other donors to appraise the adequacy of the framework for social fund investments, the procedures to be used, the quality controls and implementation capacity of the social fund. The Operational Manual becomes a type of contract, representing an agreement between a government and funding agencies about how investments will be identified and implemented.

The uniform technical, administrative and financial management procedures used by the social funds have promoted greater transparency in the financing of community based projects. The transparent procedures have been instrumental in gaining and sustaining support for the social fund programs from beneficiaries, the government, donor organizations and local nongovernmental institutions. They have also made it possible for the social funds to involve the poor in the development process and respond to the needs of low-income communities with a large number of small-scale projects tailored to individual community conditions.

The World Bank, the Inter-American Development Bank and other organizations have conducted a number of studies of social fund operations. These analyses have focused on social fund policies, objectives, organization, program characteristics and quality, beneficiary assessments, and most recently, impact evaluations. Individual social funds have analyzed the success of their initiatives to increase the participation of women in social fund projects, the quality of their environmental assessment procedures and the sustainability of their investments. Social fund procurement practices have been reviewed in Africa and Latin America and the Bank's Quality Assurance Group has examined several social fund projects at the design stage.

There is a large community of institutions involved in the work of the social funds. Regional social fund networks, multilateral and bilateral donor organizations and the World Bank's Social Protection Network regularly exchange information, maintain data banks and organize conferences and seminars to discuss the work of the social funds. A cadre of independent international consultants assist with everything from the initial organization of new social funds to the preparation of operations manuals, the design of management information systems, and the use of participatory techniques in beneficiary communities. Despite this rich and continuous exchange of information and ideas, there is a dearth of

information available on the design, quality, and usefulness of the social fund operations manuals. Without good operations manuals, the work of the social fund may be more difficult, more complicated, more time consuming, and therefore less efficient and more costly.

## **2. Objectives of the Study**

This review is an attempt to fill part of this information gap by examining the operations manuals of fifteen social investment funds, identifying the common elements of the manuals and variations in content, structure and format and discussing the key issues that need to be addressed in all of the operations manuals. Examples are provided from the operations manuals reviewed. A list of the social funds included in the study is attached as Annex 1. The report includes three principal sections as follows:

- a. The first section provides an overview of the core contents and principal components of the manuals, comparing and contrasting variations in content and structure;
- b. The second section proposes a set of guidelines to serve as the point of departure for the development and/or updating of social fund operations manuals, identifying essential and optional content areas and elements of the existing manuals that make them useful and easy to use; and
- c. The third section provides some general conclusions and recommendations for improving the quality of the manuals.
- d. Annexes 4 – 7 provide examples of procedures and approaches developed by some of the social funds. These are intended to illustrate the diversity of the social funds and to serve as a source of ideas for future revisions of social fund operations manuals. It is important to keep in mind that each was designed to respond to the political, legal, administrative and social environment of a particular country. Because of this, none of them should be regarded as models to be replicated by all social funds.

The report focuses on the core elements of the operations manual, including:

- a. The policy framework and social fund objectives;
- b. The institutional structure of the social fund;
- c. The project menu and the project cycle;
- d. Project costing mechanisms;

- e. Community participation and beneficiary contributions;
- f. Training;
- g. Project monitoring and evaluation;
- h. Administrative and financial systems;
- i. Interagency Coordination

The purpose of this report is not to hand out report cards, to rank or rate the operations manuals, but to identify options, approaches to social fund operations and examples that may be of interest to the reader. The length of the individual sections of the report varies by the scope of treatment and variety of approaches taken by social funds. It is not intended as a judgment on the importance attributed to any particular topic. The report does not attempt to assess the technical quality of operations manual guidelines on social fund financial management and procurement procedures, environmental assessment, or technical guidelines for sector-specific investments in social services, microfinance, water and sanitation, agriculture, health, education and other community infrastructure. Some of these issues have been addressed in regional and Bank-wide studies and others will be the focus of future analyses.

This study suffers from the usual limitations of a desk study. No provision has been made for interviews or in-country reviews of the manuals with social fund managers and staff, Bank staff or consultants involved in the preparation of the manuals. There is limited scope to clarify the rationale for the organization and contents of the manuals or to discuss the Bank or social fund experience with previous or current versions of the manuals. The manuals that were gathered for analysis represent a mix of first, second, and in some cases, third generation manuals for social funds that have been operating for from two to more than ten years. The review will not attempt to compare the manuals according to the age of the funds, the socioeconomic status of the countries in question or the size of the social fund programs in terms of number of projects financed and amount of financing available. An effort will be made to apply an equal degree of objectivity to all of the manuals. It is hoped that this objectivity will contribute to new perspectives and insights on the manuals and that this report will become a resource for Bank and social fund staff, other institutions and consultants to use in the preparation and revision of future social fund operations manuals.



## **II. The Social Fund Operations Manuals**

### **1. Introduction**

The operations manual is the road map to the work of the social fund. It provides information on the policies and organizational structure of the fund as well as the transactions, agreements and obligations incurred between the fund, the community, the government, and non-governmental organizations. It instructs the reader about the core work program of the fund from concept through completion, including efforts to sustain investments and measure their impact on the communities that benefit. The standardization of straightforward procedures for identifying, preparing and implementing projects as described in the operations manual can have a decisive influence on the success or failure of the projects supported by the social fund. The operations manuals can be used to promote transparency and accountability on the part of the social fund, the government, the institutions and individuals that work with the social funds, and the beneficiary communities. They can orient the social fund towards building local capacity, supporting government efforts to decentralize and promoting the participation of beneficiaries in the activities of their community.

The operations manual was developed to order and regulate the work of the social funds. It serves as a substitute for the project implementation manual that is used to define ex ante all of the detailed arrangements for the implementation of an investment loan. The social fund investments are not defined in advance, therefore the operations manual provides ground rules for the selection of beneficiaries and beneficiary communities, the identification, design and execution of community-based subprojects and all of the administrative and financial procedures to be used by the social fund to implement its program. It is these procedures described in the operations manual that are appraised and agreed by the government and donor organizations. The social funds were established, often by Presidential decree, to finance quick-disbursing small-scale investments narrowly targeted to certain communities and beneficiaries. This approach distinguishes social fund operations from the traditional planning and budget allocation practices followed by line ministries and other public sector institutions. The crisis atmosphere in which many social funds were established permitted the organizers to propose operating rules that reduce the bureaucratic

barriers between government and beneficiaries, simplify and abbreviate standard operating procedures, and allow flexibility throughout the year with respect to programming, financing and project implementation decisions. The procedures set forth in the operations manual provide some assurance to the government and donors that quality controls are in place and flexibility is permitted only within the confines of a well-defined set of standard operating procedures that have been reviewed and agreed with them. Modification of the operating procedures usually requires review and ex-ante or ex-post agreement with the government and donor institutions.

Most of the operations manuals orient the reader to the relevant policy framework and the government policies and programs that support the social fund activities and guide its operations. They describe the fund's organizational characteristics, the steps in the project cycle, the administrative and financial arrangements used by the fund. Some of the manuals also outline the fund's programs for project promotion, eligibility criteria, beneficiary participation, project identification and preparation, training of community members in organization and administration, project supervision, operations and maintenance and cost recovery. Others include detailed guidance on procurement and disbursement procedures and personnel administration for social fund staff and consultants. The operations manuals may be prepared as a single document, or there may be several volumes that address various aspects of the social fund operations. This fragmentation of information facilitates the work of the fund staff and others who do not use or need access to all of the information included in the various volumes and annexes. For anyone who wishes to have a comprehensive understanding of the workings of a social fund, it is advisable to gain access to all of the manuals used by the fund, including annexes, handbooks, training and promotional materials.

The operations manuals do not address all of the work of the social funds. Some activities that are less likely to form part of the operations manuals include the design of targeting mechanisms, ex-post evaluations of completed subprojects and surveys of beneficiary participation in projects financed by the social fund. Financial and procurement audits are conducted under terms of reference that may or may not be included in the operations manuals. The preparation of countrywide poverty maps that are used to identify potential beneficiaries has been an important part of the work of some of the social funds but

these efforts are usually excluded from the operations manuals because they do not constitute part of the core work program as defined by the project cycle of the social fund.

The operations manuals provide no information regarding the identity of the authors or the process used to prepare the manuals. There are some indications that social fund operations initiated as pilot activities develop a draft operations manual to guide the initial work. This manual is frequently the starting point for the manual that is used when full-scale operation of the social fund is initiated. Some social funds have used the manuals of other social funds as models. Manual preparation has often depended on the participation of social fund staff, consultants, and other public sector officials. Beneficiary participation in the preparation of the manuals is not evident or explicit in the manuals reviewed. Some of the manuals have presumably been tested in beneficiary communities and revised to incorporate feedback from beneficiaries and others who are involved in the work of the social fund such as nongovernmental organizations, consultants and contractors.

An initial survey of the contents of the manuals indicates that the overall quality of the manuals is good. The reader is able to gain an adequate understanding of each fund's objectives, program and procedures from reading the manuals. The organization of the manuals varies significantly even when the ingredients of the manuals are the same. The order in which information is presented and the inclusion of explanatory materials such as a table of contents, a list of acronyms, glossary of common terms and examples of forms used by the fund can contribute a great deal to the user friendliness of the manuals. Many of the manuals are very long, which underlines the need for a comprehensive table of contents, sections subdivided and topics clearly indicated, etc. The sheer volume of information, notwithstanding the quality of the information, may discourage some readers from using the manuals as fully or referring to them as frequently as the authors intended. Some of the variations in the organization of the manuals are readily apparent in Annex 2, which contains a list of the contents of each of the manuals reviewed. This discussion of the manuals begins with a review of the key sections that most of the manuals have in common. Some of the definitional issues that arise in the preparation of the operations manuals will also be discussed.

## 2. The Policy Framework and Social Fund Objectives

A statement that summarizes the social and economic conditions that led to the establishment of the social fund and a brief exposition of the policy framework that explains the rationale for the social fund program provide a useful introduction to the operations manual for the reader. Objectives or program goals that are clearly defined at the beginning of the manual facilitate the use of the manual and establish a logical framework for the social fund program. This information is as useful for social fund staff and Board members as it is for individuals from other institutions who are not familiar with the work of the fund. The introduction can also be used to orient beneficiaries to the broader context of the social fund's work in their country. A matrix with the principal objectives of the social funds included in this review is presented in Table 1 below.

Table 1: Social Fund Objectives											
REGION (Country)		Economic Adjustment	Poverty Alleviation	Decentralization	Employment	Infrastructure Development	Participatory Development	Strengthen Local Institutions	Increase Welfare System Coverage	Government & Community Partnerships	Private Sector Economic Development
AFRICA	Ethiopia		x	x		x	x	x		x	x
	Malawi		x	x	x	x	x	x		x	
	Togo		x	x	x		x	x	x	x	x
ASIA	Cambodia		x		x	x	x	x		x	
	Thailand	x	x	x		x	x	x		x	x
EUROPE & CENTRAL ASIA	Albania	x				x				x	x
	Moldova	x	x		x	x	x	x	x	x	x
	Romania		x		x	x	x	x	x		
LAC	Argentina		x	x	x	x	x	x	x	x	x
	Belize	x	x		x	x	x	x	x	x	x
	Jamaica		x		x	x	x	x	x	x	
	Nicaragua		x	x	x	x	x	x	x	x	x
MENA	Egypt	x	x		x	x	x	x	x	x	x
	Palestine		x				x	x	x	x	
	Yemen	x	x	x		x	x	x	x	x	x

The objectives were identified based on the formal statement of objectives in the operations manuals and a review of the contents of the social fund manuals. Some of the objectives are not stated explicitly in the social fund statements of objectives, however they appear in the description of the project menu.

All of the social funds were established to assist in the implementation of a poverty alleviation or social and economic development strategy. Some of the funds also cite the highly centralized nature of many government programs and consequent failure to meet the needs of the population because of top-down planning and program execution. Others emphasize the importance of decentralization to improve transparency, the use of community organization to promote the formation of local partnerships and build local capacity to address local problems. In some cases, specific target groups are mentioned including women, minority ethnic groups, the elderly and the extreme poor.

A common understanding of the rationale for the social fund operation is critical to the efforts of the fund. It can help the fund to maintain internal consistency in its operations, to improve coordination between governmental and non-governmental organizations, and to prevent Board, staff members and donor organizations from losing sight of the overall goals and the interconnectedness of the social fund and other programs. The introduction serves as a reminder that the social fund does not stand alone in its efforts to ameliorate the impact of political crises, economic adjustment programs, to alleviate poverty or provide services to low income and/or underserved population groups. It forms part of a larger government strategy and is meant to complement other programs. A few examples of social fund objectives are provided in the following boxes:

**Box 2.1: Malawi Social Action Fund**

The objectives of the Malawi Social Action Fund, MASAF, are to: (a) provide financial grants for social and economic infrastructure development in urban and rural areas as well as infrastructure needs for the vulnerable and marginalized groups; (b) create temporary employment for the very poor through safety net programs; (c) promote a new participatory and community empowerment development paradigm; and (d) enhance in-country capacity of stakeholders through provision of training and technical assistance.

### **Box 2.2: Palestinian NGO Project**

The Palestinian Welfare Association was established to alleviate poverty by providing services to the poor and disadvantaged; to strengthen local NGO skills and capabilities; and to strengthen professional relations between NGOs and the Palestinian authority. The association's work is focused on support for the community building and social service provision activities of the local NGOs. It finances the award of grants and service contracts through a process of competitive tender.

### **Box 2.3: The Albania Development Fund**

The Albanian Development Fund objectives are focused more specifically on two major objectives as follows: (a) to improve small scale infrastructure in an equitable manner throughout Albania and (b) to promote private sector economic development.

### **Box 2.4: Jamaica Social Investment Fund**

The Jamaica Social Investment Fund( JSIF) was an outcome of the government commitment to accelerate the reduction and eradication of poverty as part of its social agenda. The social fund's operations manual underscores the concurrence of the social fund objectives with key elements of the national poverty strategy which include: (i) an integrated program of poverty reduction activities targeted to deprived communities; (ii) interventions for unemployed youths; (iii) a welfare system with more effective coverage and efficient delivery; (iv) equitable access by the poor to quality education and health services; and (v) an enabling environment which will support the achievement of poverty reduction. Community-based participation, partnership and targeting are the core principles of the social fund that link the social fund activities to the national poverty strategy.

### **Box 2.5: Togo Agency to Support Basic Grassroots Initiatives**

The name of the Togo social fund, Agence d'Appui aux Initiatives de Base (Agency to Support Grassroots Initiatives) is indicative of the role the fund is expected to play in the government's poverty alleviation strategy. The fund supports the government strategy to decentralize development initiatives to the regions and local communities and build the capacity of regional and community groups in the preparation and management of small projects. The social fund is introducing new operational instruments for participatory development to improve access of the poor to essential goods and services and in the longer term, to build target group capacity to take charge of their own community-based projects.

### **3. The Beneficiary Community and Project Targeting Mechanisms**

Not all social funds use the same methods to identify beneficiary communities. The targeting mechanisms used are also diverse and may not have been developed by the fund. They may be adapted from the tools used by the government to address broader poverty and economic adjustment issues. A poverty map developed from census and survey data is used by some social funds to assist in targeting the resources of the fund. In the absence of information on income and employment, access to basic services such as education, health, water and sanitation are sometimes combined with data on fertility, mortality and illiteracy to construct a poverty map or needs assessment. In some countries, the community participates in the targeting process by identifying the poorest individuals and families in their area using criteria such as single parenthood, no regular employment or lack of a radio in the household.

Poverty maps and other targeting mechanisms are considered a means to increase transparency and objectivity in the allocation of social fund resources and reduce the political influence involved in the process of project selection. Some social fund projects are self-targeting by virtue of the type of project financed, the demographic characteristics of beneficiaries and the geographic location of the communities eligible to receive social fund resources. In some cases, lower beneficiary contributions are required from certain vulnerable groups. Operations manuals do not always contain complete and up-to-date information on targeting mechanisms and their use. Resource allocations may need to be adjusted to reflect changes in the government budget or alterations in the poverty map.

The Belize Social Fund uses a poverty index of economic, social and infrastructure variables. The consumption-based poverty index and the unemployment rate are the economic variables; the total fertility rate, infant mortality rate and illiteracy rate are the social variables; and the infrastructure variables are the percentage of households with access to potable water and electricity and the number of persons per bedroom. In some of the Eastern European countries such as Moldova and Romania, age and employment status are used to determine program eligibility; in others such as Jamaica, certain neighborhoods in the urban areas of major cities are designated. The type of program or service financed by the fund and the level of remuneration offered in employment schemes are also widely used to

promote self-targeting. There is no single ideal targeting method that is applicable to all situations and all funds.

How does a social fund reach the poorest of the poor? This is a concern that has surfaced in the discussions held by many of the social funds, and it is a problem that is often revealed in the evaluations of social fund investments. The poorest communities are often found in the most remote areas and the cost of providing services such as roads, water, sanitation, education and health may be far beyond the parameters established by the social fund, the line ministries and non-governmental organizations. The poorest of the poor are not always able to take advantage of the resources offered in support of productive projects or micro enterprise programs. The converse of this is that the social funds may not have the expertise or resources required to provide the intensive support needed by the lowest income groups. Some of the non-governmental organizations have fallen short in this area as well. The solution to this problem is not found in any of the social fund manuals. There have been some notable attempts to provide intensive training and capacity building to strengthen project management and organizations skills in poor communities in Argentina. Other funds such as Peru identified the communities that never applied for a social fund project and sent promoters to assist those communities to identify projects. They simplified project preparation requirements for the poorest communities and provided intensive support to the communities throughout the project cycle. These efforts do not necessarily resolve project cost and sustainability issues but they offer examples of some approaches that have been tested and found useful in reaching the poorest communities.

#### **4. Social Fund Organization: Legal Status and the Autonomy Issue**

Autonomous social funds are granted legal persona by virtue of a Presidential decree or authorization by a legislative entity. They are officially designated as foundations, agencies, companies, consortia, autonomous public institutions, associations, and social investment or social development funds. The terms and conditions of their establishment and authorization may vary. Information in the operations manuals regarding the legal characteristics of the social fund entities is sparse and in some cases, the manual is silent on such key issues as the number of years of authorization of the social fund or the date or



conditions under which the authorization ceases or may be extended. . However, the institutional status of the social fund is spelled out in all of the operations manuals reviewed.

The proponents of the social fund as an autonomous institution have cited the need for flexibility and efficiency in the administration of the social fund program during a period of economic and social emergency as the primary rationale for this approach. The recruitment and remuneration of personnel, subproject preparation, implementation, procurement and financial management procedures are sometimes exempt from the government restrictions that are viewed as obstacles to the efficient execution of public sector programs. Only three of the social funds included in this study are not autonomous institutions. The Thai social fund office was established within the Government Savings Bank. The Ministry of Planning and Cooperation is the Palestinian counterpart for the Palestinian NGO (social fund) project that is managed by the Welfare Association, a consortium of non-governmental organizations. FOPAR, the Participatory Fund for Social Investment (Fondo Participativo de Inversion Social ) of Argentina is an executing agency of the Secretary (Ministry) of Social Development.

The legal status of the fund and its autonomy as an institution may not be as important as the degree of autonomy granted for the overall operation of the social fund program. Autonomy of the social fund can be measured in various ways, including the degree of authority and responsibility delegated to the fund in the development of its annual budget and work program, decisions related to the scope of its work program and the selection of intermediaries contracted to work with the fund. A social fund that is charged with implementing the investment program of one or more line ministries has limited autonomy and is in fact more of an executing agency than an independent organization. It is difficult to assess the degree of real autonomy afforded to any of the social funds based on the operations manuals because these do not address issues such as the decision-making processes involved in annual program planning and budgeting, the recruitment of personnel and the formulation of the policies and procedures that govern the administration of the social fund.

## **5. Institutional Structure**

Most social funds are overseen by a Board of Directors or in some cases, a Steering Committee composed of representative of the government, the private sector and nongovernmental organizations. The Board of Directors has a defined number of meetings that must be held each year and most members are appointed for a term of about three years. Some operations manuals specify that the members of the Board will be remunerated for their work; others do not stipulate any form of reimbursement. The Board reports to the President or Vice President of the country or to a senior Minister. The Board is responsible for ensuring that the social fund adheres to its guiding principles and policies. It reviews and approves the annual work program and budget, the operations manual, and all rules and regulations governing the technical, financial and administrative activities of the social fund.

In most social funds, the Board of Directors or an Executive Committee composed of Board members and/or senior social fund staff must review and approve all of the projects financed by the social fund. Some Boards also select key personnel such as the Executive Director of the fund while in others, the President or Vice President of the country appoints the Executive Director. The Board may be responsible for approving the terms and conditions of appointment of other staff, submitting the social fund's annual or semi-annual reports to higher authorities, authorizing and approving external financial and management audits and evaluations and ensuring that the line ministries are informed of the fund's activities. Some Boards, particularly those that have project approval responsibilities, meet as often as twice a month; others meet a minimum of twice a year. The composition and functions of the Board of Directors is usually codified in the operational manual.

The principal staff of the social fund usually include an executive or senior management team: the President or Executive Director, Deputy Director or General Director, Department Directors, Regional Office Directors and Senior Advisors. Administrative staff includes legal advisors, financial managers, inspectors, personnel administrators, and a MIS team. Operations staff in central and regional offices includes promoters, trainers, community organization and project development specialists, engineers, environmental and other technical specialists. The number, diversity and distribution of staff between central and regional offices is unique to each fund and is determined by the scope and scale of the

fund's work. As in most institutions, the terms of reference and job descriptions included the operations manuals provide a general guide, but the effectiveness of the organization and the implementation of its program depend on a combination of formal structure and informal working arrangements. It is impossible to draw any conclusions concerning the advantages and disadvantages of the organizational structure of the social funds based on the information available in the operations manuals.

## **6. Decentralization or Deconcentration?**

The decentralization of social fund operations can contribute to capacity building at the local and regional level for social fund employees, local contractors, NGOs and other public and private sector institutions. Many of the social funds have deconcentrated their operations without delegating authority or responsibility to regional offices or to community organizations. For instance, project identification and preparation may be decentralized while project review and approval, procurement and other aspects of project execution remain centralized. Some social funds have decentralized responsibilities for project preparation, appraisal, approval and supervision with some success. Government regulations are frequently cited as the reason for not decentralizing the fiscal responsibilities of the funds. Examples of decentralized or deconcentrated arrangements described in operational manuals are provided in the boxes below:

### **Box 2.6: Egypt Social Fund**

Egypt has established a network of 25 regional and satellite offices throughout the country. These offices have project monitoring and supervision responsibility. They are responsible for: (i) raising awareness of the social fund objectives in beneficiary communities and encouraging participation in the planning and implementation of projects; (ii) determining basic needs in each governorate; (iii) identifying the appropriate governmental and non-governmental organizations to act as sponsoring agencies; and (iv) coordinating between the social fund core programs and sponsoring agencies. In addition, the social fund has branch offices that address special issues. One office houses the enterprise development program, another manages community development, public works, and credit; and in a third office, the beneficiaries support unit directs beneficiaries to the relevant governorate administration, sponsoring agencies or the SF credit department in the case of technical credit inquiries.

### **Box 2.7: Malawi MASAF**

Malawi's decentralization strategy is more modest and closer to the practices of many of the other funds. The regional offices promote projects, identify, evaluate, appraise, and supervise subprojects. They also prepare annual work plans to be approved by the central office, ensure that community project management committees receive adequate pre-launch training, monitor implementation, and foster effective working relationships with key institutions at the district level.

### **Box 2.8: Decentralization in Ethiopia**

The Ethiopia Social Rehabilitation and Development Fund has decentralized its financial management system through the delegation of authority and responsibility for disbursement procedures and the establishment of local bank accounts. Each regional office manages one bank account for office administration and another for subproject financing. The training of local contractors in the preparation of bids, etc., training of local engineers in project appraisal and supervision, training of community members and/or beneficiaries in problem identification, project prioritization, supervision of project implementation and organizing for sustainability are all part of its decentralization strategy. Regional offices are also responsible for updating unit price cost tables.

## **7. The Project Cycle: Variations on a Theme**

The project cycle is in effect the critical path of the social fund's work. It is frequently described in the operations manual by a flow chart or series of flow charts that illustrate the movement of the subproject through the social fund system from promotion and project identification through completion, project start-up and evaluation. The project cycle has the same basic structure in all of the social funds reviewed but there are variations in some aspects of the cycle that are described in the following sections. Some of the graphics used to describe the project cycle are complex because they have attempted to include every step in the project cycle. Not all of them indicate who is responsible for each of the steps in the project cycle or the amount of time each step is expected to take. The ease with which projects move through the system described by the project cycle determines the efficiency and effectiveness, and often the quality of the projects financed by the social fund. Annex 3 contains an illustration of the Project Cycle.

## **8. The Project Menu: Open or Closed**

Most of the social funds establish a project menu, a list of activities or investments from which to choose. The operational manual describes the specific projects that can be financed or provides a general description of the types of eligible expenditures that can be financed. Cambodia's project menu lists project by sector (education) type (primary school), category (equipment), and component (classroom furniture). Rather than a positive list, some funds use a negative list of projects that are ineligible for financing. Items commonly found on negative lists include the purchase of land, the improvement of privately held property, and projects that involve resettlement. The majority of social funds limits in terms of financing ceilings. Most project menus are heavily biased toward the financing of small-scale social and economic infrastructure and services. The closed project menu may ensure more accurate targeting because it only allows investments in goods and services consumed by the poor. Box 2.9 provides a summary of four different project menus. They show some characteristics of both the open and the closed type of project menu.

Proponents of the closed or defined project menu cite as advantages clarity of objectives and expectations, simplicity of project design and preparation engendered by using standard project plans, the targeting advantages cited above and the possibility to streamline operations and in some cases to group procurement of works, goods and equipment for the sake of economy and efficiency. Closed project menus are often used when the social fund is the executing agency for the investment program of the line ministries, which may generate political support for the social fund. Supporters of the open project menu point to the opportunity afforded to have the true investment priorities of the a community reflected, and the tailoring of the project to the needs and characteristics of the community more closely. An open project menu can be a greater stimulus to innovation and creative problem solving. Beneficiary assessments indicate that closed project menus may be too narrowly defined and not inclusive enough.

### **Box 2.9: Project Menus**

**Togo's** project menu has three components: (i) basic local infrastructure; (ii) human resources development in beneficiary communities; and (iii) small-scale productive projects.

**Romania's** focus is rural roads projects but it also lists the investments it will not finance: (i) purchase or lease of land; (ii) rehabilitation or construction on private land; (iii) household connections; (iv) fences and water tanks; (v) pour flush latrines where there is not sufficient water available; (vi) individual requests for a latrine; or (vii) maintenance and recurrent costs except for one year for social services subprojects. Its operations manual project menu includes both positive and negative lists for every type of subproject.

**Thailand's** project menu consists of a series of subproject objectives rather than a defined project menu: capacity and learning development in community occupation and community economy; and immediate community welfare for the needy.

The **Palestinian** NGO Project finances development grants, block grants or service contract awards to alleviate poverty, strengthen NGOs and their community, and enhance NGO-Palestinian authority relations. It also awards grants for research on poverty alleviation; NGO training and capacity-building contracts for service provision; and recovery grants for NGOs with financial difficulties that threaten to interrupt their provision of poverty alleviation services.

The project pipeline tends to build up rapidly and most social funds have developed a series of strategies to cope with the pipeline. The Cambodia social fund ranked the 3,800 projects in the pipeline and the successful ones were appraised and if necessary reformulated. Projects from underserved districts were sent directly to the appraisal department for action. For this set of projects, priority or project type criteria were not applied. In Chile and Argentina, project review meetings are organized every three months and all of the projects prepared and submitted for financing during that period compete for funds. The competition is intended to encourage community participation and commitment, and reward good project preparation and project quality. It also eliminates the build-up of a backlog of project requests.

Establishing priority ranking for projects is one of the most difficult tasks of the social fund. Some of the criteria used to rank or prioritize projects include a poverty index or unmet basic needs assessment; sector, geographic or demographic (minority groups) priorities established by the government; the amount of funds or per capita funds allocated

for each district or province; the order in which the project proposals are received by the fund (first come, first served); project type and total or per capita project cost; evidence of beneficiary contributions or beneficiary participation in the preparation of the project proposal. These prioritization systems are typically incorporated into the operations manual.

## **9. Project Promotion, Identification and Preparation**

Project promotion happens prior to project preparation. It usually begins with outreach efforts to inform communities of the work of the social fund, the requirements and procedures to follow to access social fund resources and the types of investments in goods and services that the fund may finance. Many funds have developed comprehensive media programs to support their project promotion efforts. Radio, television, posters and pamphlets, community visits by social fund promoters have been used by most of the social funds. In Argentina, a training program in organization and management skills precedes project identification and preparation. Community promotion, town meetings, special seminars with women, unemployed youth in urban areas and the aging poor are some of the initiatives sponsored by the social funds. Although most promotional activities and media programs are pre-tested by most social funds, the ex-post evaluation of their effectiveness is limited. In Romania, the number of proposals received from an area is compared to the level of promotional activity. In Argentina, the management information system tracks number of and participation rates in meetings and training events, allowing for linking with eventual indicators of individual project performance.

Problem identification, project prioritization and project identification are closely linked and usually follow one another in quick succession. It is important for the social fund to specify who may submit project proposals to ensure that the projects represent community priorities and not those of the NGOs, the line ministries or the local government. The community is then expected to prepare a project proposal, often with technical support from fund staff, NGOs or consultants, to present to the social fund for review. In Belize, the process is divided into two stages, preparation of a community profile and a participatory consultation during which the project is identified.

Project application and preparation forms are standard in most social funds with some variations or annexes required for different types of projects. Argentina and Nicaragua have

prepared detailed project preparation manuals for each type of project eligible for financing. They are available for use by social fund staff, NGOs, consultants, beneficiaries and other institutions that support social fund projects. To ensure that social fund projects conform to the norms and standards of each sector line ministries may furnish technical specifications. The social funds have made an effort to simplify project preparation forms to facilitate the participation of community members with limited education and technical knowledge. Simplified forms benefit the social fund staff and Board members as well because they facilitate the use of objective criteria for project appraisal, evaluation, prioritization and selection. Project application forms that require completion of a series of essay questions are usually the most difficult to evaluate objectively and the most difficult for many communities to complete. Project preparation guidelines in Ethiopia include some general principles to guide implementation intended to: (i) maximize community involvement and responsibility; (ii) ensure adequate quality; (iii) endure cost-effective procurement through the use of competitive bidding.

Project site visits have proven to be indispensable for the preparation and selection of projects. Some operational manuals specify the timing of the visit, the team members who must make the visit, and in some cases, the organizations and individuals to be contacted during the visit. The Cambodia fund site visitor is expected to contact the applicant, community organization, sponsoring agency, beneficiaries, provincial and district authorities and commune/village leaders. Project appraisal criteria may be included in the operations manual, as they are for Cambodia, or in a series of sector and/or project-specific technical manuals, as they are for Argentina, Belize and Nicaragua. In Thailand, study tours or project site visits to successfully completed projects in similar communities are regarded as an important learning experience for representatives of communities that are in the initial stages of project planning. The concept of the study tour to visit other social funds has been widely accepted by social fund officials but few funds have applied this concept to their own programs.

## **10. Project Review and Approval**

Some social funds accept project proposals throughout the year and others accept them only on an annual, semi-annual or quarterly basis. The advantage of accepting



proposals throughout the year is that the fund may respond to the needs of the communities at any time during the year and has the flexibility to consider regional and seasonal climatic variations. In the larger countries where the rainy season in one area is the dry season in another, the advantages of the former method are obvious. The periodic acceptance of applications has other advantages. It allows the fund to compare and rank applications and create a kind of internal competition in which only the best proposals are selected. It may also stimulate a more critical assessment of project prioritization in communities that have difficulty in selecting a single project to present. Regardless of the method applied, all funds are expected to respond to emergencies and most have the budgetary flexibility to do so.

Transparency in the project review and approval process is one of the characteristics of the social fund that sets it apart from other programs. Virtually all of the operations manuals and beneficiary guides to social fund operations describe the procedures for project review and approval. Decisions regarding the financing of social fund projects are made in regularly scheduled meetings of the Board of Directors or regional committees with transparent and objective criteria used to evaluate the merits of each project. Projects that are rejected are accompanied by an explanation of the reasons for the rejection. This gives the community the opportunity to modify the project to make it acceptable or to select another project. Some examples of the project review and approval process are included in Annex 4.

Project approval is the responsibility of a committee, in some cases the Board of Directors, in others a national or regional management or technical committee. Project approval may occur in a single step or require a series of reviews. For instance, a project appraisal committee may certify the eligibility of the project for social fund financing, a technical or sector steering committee may review the technical quality of the project. Environmental, legal, financial and procurement assessments may be incorporated into the project preparation process and followed by a review of specific issues identified during project preparation as part of the project review and approval process. Each fund has a slightly different structure and procedures for reviewing and approving projects and no single method stands out as superior or inferior to the rest.

## **11. Project Costing Mechanisms**

Most of the social funds have ceilings on the total cost of each project that can be financed using fund resources. These limitations support the social fund policy of financing only small-scale projects in poor communities. The majority of social fund projects are not complex, and this simplifies the preparation of cost estimates. The social funds use a variety of other costing mechanisms and these facilitate the project preparation exercise and project supervision during implementation. Project costs may be estimated by the appraiser on the basis of information gathered during the field visit, or by the financial staff of the social fund based on the information provided by the field appraisers. Economic rates of return are usually calculated for economic infrastructure and productive projects but are usually not used for social infrastructure or social service projects. The economic analysis of social fund projects has been performed using the methodologies established for other investment projects. Several funds have developed separate project preparation guidelines for each type of project financed with project cost tables included in each manual. The cost tables should be standardized across sectors to the extent possible to facilitate the work of the community and the social fund. The use of multiple formats for costing a project equipment list or a training program is cumbersome.

A unit cost database for works, equipment and materials is used by many social funds as a means of simplifying the costing of a large number of similar projects. They are prepared for each region of the country taking into account geography and climate, architectural design conventions, transport issues and other regional variations that will affect costs. They are updated regularly, at least twice a year and in some cases on a quarterly basis depending on the volatility of prices in the geographic region or country in question. They are also reviewed in the wake of significant political or economic upheavals or natural disasters.

Cost efficiency analyses are performed by some funds including Argentina and Cambodia, where the historic cost of similar projects is used as the basis for assessing the cost efficiency of proposed projects. The cost per beneficiary is also frequently used and may be a basis for rejecting some projects such as water or electricity connections for

dispersed population groups especially in rural areas. Threshold costs per project or per beneficiary are established using similar projects as a basis for comparison.

Cost recovery requirements for operation and maintenance vary and apply most frequently to water, electricity, sewage connections and productive projects that involve loans to individual or group entrepreneurs. Some communities also commit funds for community center, school, road and bridge maintenance and repair. Their inclusion in the cost calculations for all projects where this is relevant is essential. The social fund and project beneficiaries need to have accurate information on the recurrent cost implications of every project if the feasibility and sustainability of the project is to be assessed and commitments to sustain the project after completion are to be honored. This has been one of the weakest elements of some social fund operations. The prominence that this topic is given and the level of detail included in the operations manuals of some of the more recent social fund projects (Argentina, Cambodia) is evidence of the lessons learned from earlier projects being applied to new projects.

## **12. Beneficiary Contributions: An Accounting Dilemma**

Beneficiary or counterpart contributions are required by most social funds but there are no clear guidelines regarding the assignment of a monetary value to the contributions nor are there standard procedures for registering the contributions in the social funds accounting system. Virtually all of the social funds require a beneficiary contribution of at least ten percent of total project cost as evidence of the community's commitment to the project. Many of the operations manuals have detailed instructions for the management of social fund financial resources but none of them provide guidance on accounting for counterpart funds. In the agreement signed between the social fund and representatives of the community the Argentina fund provides some examples of the types of beneficiary contributions that the community might provide but it is not clear whether the contributions are assigned a monetary value and entered into the social fund accounts. The beneficiary contribution is included in the social assessment rather than the economic assessment of the project. It is considered evidence of the community's commitment to the project.

### **13. Community Participation in the Project Cycle**

Participatory planning is regarded as an essential ingredient in the work of most social funds, but not all of the operations manuals discuss the explicit procedures that are to be used to ensure the participation of the community throughout the project cycle. Without explicit directions that explain how the participatory process is expected to work, the actual participation of community members is left to chance and for the sake of expediency, may never take place. The operations manuals do not indicate whether information and instructional materials used by the community have been prepared and pre-tested in the field to ensure that the materials are comprehensible to people in the community. Computer-generated graphics and charts and instructional materials that use technical terms and words that are unfamiliar to the residents of low income communities may discourage the community from applying for or participating in social fund projects. Project applications that rely on data that can be evaluated objectively rather than lengthy written explanations of the project are usually easier to evaluate and easier for the members of the community to use. Some of the operational manuals specify the requirements for community participation in various stages of the project cycle (see Box 2.10), and for inclusion of groups often marginalized from local decision-making, such as women (see Box 2.11).

#### **Box 2.10: Community Needs Assessment in Belize**

The Belize Social Fund prepared a guide to community needs assessment to initiate the project identification and planning process. The guide is used by social fund staff, community workers from the line ministries, and the staff of non-governmental organizations to help the community of potential beneficiaries to complete a community needs assessment. The assessment involves the preparation of a community profile and a participatory consultation that allows the community to identify problems and the types of solutions the members of the community consider most appropriate. The capacity of the community to participate in project implementation and maintenance is also discussed which helps the community to prioritize as projects the solutions identified. Small group discussions and in some cases, separate meetings for men and women are organized as part of the process.

Community commitment to the projects financed by the social funds may be far more difficult to achieve without some degree of participation. The sustainability of many projects may be questionable if community participation is not a prominent element in the project

cycle. One constraint to the submission of projects by the poorest communities may be the requirement that they bear the cost of project preparation. This has been found to limit project preparation activity by the poorest communities in some programs. One solution is to require the preparation of a simple project profile that can be submitted to the social fund for review before full preparation is undertaken. The SF reviews the profile and if the type of project proposed meets project selection criteria with respect to target population, type of project, cost, etc. the community is advanced money for project preparation. The full proposal is then submitted to the social fund for review and approval.

**Box 2.11: Gender Unit in Egypt**

The Egypt Social Development fund established a Gender Unit to provide support for women's empowerment. It performs a mainstreaming function in the social fund to ensure that gender permeates policy, program and project levels. The Gender Unit serves as a catalyst, a gender and development planner and facilitator of training so that women are empowered to become active participants at all levels including decision-making, rather than passive recipients of the benefits of the social fund. The manual contains sample interventions for the social fund manuals, a project cycle gender guidelines checklist, and indicative project monitoring and evaluation checklists and indicators for social fund projects.

#### **14. Project Supervision, Monitoring and Evaluation**

A project supervision guide assists technical supervisors in planning and executing project supervision visits to each project during implementation. The guide should serve as a quick reference to the items that need to be reviewed during each supervision visit and may include a checklist that can serve as part of the project supervision report. Some project supervision forms are available online so that supervisors can prepare their report in the field and transmit it to the MIS from the fund's regional or provincial office. Forms that maximize the amount of information that can be provided through the use of simple check lists and minimize the amount of report writing required from the supervisors may help to sustain the consistency and quality of their work. Some funds use open-ended forms that require essays rather than the completion of a checklist. These are more time consuming to complete and more difficult to review. Some funds, such as Belize and Argentina, include detailed checklists to be used by project supervisors.

All of the social funds have developed a comprehensive set of project monitoring indicators. The list of indicators varies in length and content. Many of the lists follow the format of the logical framework and are divided into input, process, output and outcome indicators. The operations manuals reviewed include from ten to over one hundred monitoring indicators. The manuals describe the management information system and the procedures for the collection of indicators but there is no explicit information regarding who has access to the indicators, who uses them and for what purpose, or whether there is any provision for the indicators list to be reviewed and modified.

Most of the operations manuals do not indicate whether the users of the social fund indicators have been consulted in the preparation of project monitoring indicators. Beneficiaries, field staff, regional office staff, technical departments, managers, donors, governmental and non-governmental organizations all have an interest in some or all of the indicators generated by the social fund. Community groups, non-governmental organizations, contractors, individual consultants and beneficiaries who are actively involved in project preparation, supervision, monitoring and evaluation exercises collect some of the indicators in the course of their work. It is unclear, however, whether they are involved in collecting data or whether they receive any feedback in the form of analysis of the indicators for individual projects or comparative analyses of indicators for groups of projects by sector, geographic region, etc.

Some operations manuals provide explicit information regarding the use of certain indicators. Indicators in Nicaragua are classified along functional lines to facilitate project monitoring throughout the project cycle, assess the capacity of the organization to manage the demand for projects and identify delays in project preparation, evaluation, financing and implementation. The cost of contracting using public bidding, three quotations and direct contracting is compared in an effort to identify the most economical method of contracting similar projects. Albania uses its indicators to provide evidence of the results from its training programs as a prerequisite to the financing of additional projects. It will finance additional projects in a given community only when the initial project has been satisfactorily completed, the final payment by the fund has been made and the infrastructure has been

operating and maintained adequately for a minimum period of one year. No applicant may have more than one project financed by the social fund at a time.

Some of the processes that are important to the success of the social fund, such as community participation, are difficult to measure. Quantitative data are often collected to provide information on the number of participants trained, the number of community meetings organized, the number of beneficiaries who contribute labor or other resources to the project. Project monitoring systems that gather information on the quality of the community participation process are not as widely used. Two innovative approaches, from Argentina and Malawi, are described in Boxes 2.12 and 2.13.

**Box 2.12: Project Monitoring Indicators for Community Participation in Argentina**

Argentina's social fund gathers information on the quality of community organization. Indicators scaled from 1 to 3 measure: the mobilization of community resources (1 = none, 2 = less than expected, 3 = equal to or greater than expected); management (1 = no progress, 2 = some progress, 3 = significant progress); self-esteem (1 = no change, 2 = some beneficiaries show improved self-esteem, 3 = majority of beneficiaries show improved self esteem); vision (1 = difficulty in identifying new opportunities, 2 = occasionally identify new opportunities, 3 = frequently identify new opportunities); creativity (1 = no innovation, 2 = some innovation, 3 = significant tendency to innovate); transparency and level of participation (1 = no transparency, minimal participation, 2 = some transparency, some participation, 3 = high level of transparency and participation). Other indicators of community participation that are monitored but not assigned quantitative values include evidence of collaboration with other community-based institutions; acquisition and application of new skills or knowledge; capacity to identify problems during program implementation and resolve them; and the introduction of innovative local initiatives.

One of the major challenges faced by the social funds is to find a means to measure the impact of their investments. Many operations manuals cite social and economic data including census and household surveys that are used as the basis for establishing poverty levels and identifying unmet needs in the communities that are expected to benefit from social fund investments. The data gathered for these and other purposes cannot always be paired with social fund indicators or the results of ex-post evaluations of completed social fund subprojects because of sampling and survey design issues. A few of the operations

manuals describe research and evaluation efforts to be undertaken by the social fund but the objectives and descriptions included in the manuals are proposals for work that will be defined in the future rather than activities that have been designed. Operations manuals are also silent with respect to the dissemination of the results of research, ex-post and impact evaluations.

**Box 2.13: Community-Based Project Monitoring in Malawi**

Project monitoring begins at the community level in Malawi. In urban and rural areas, local development committees submit a plan for project monitoring as part of the project application. At field appraisal and project launch the financing agreements between the community and the social fund are publicly announced; all project accounting documents must be available for inspection by the community at any time. The project management committee ensures that the community contribution to the project is provided, assumes responsibility for organizing monthly meetings to update the community on project progress and submits the monthly report on the project to the fund's zone office. The reports generated at the community level provide the basis for the project monitoring efforts of the zone office technical supervisors and coordination with district governments and sector ministries. Quarterly and annual reports by the zone offices and the central fund management team are the principal source of information used to monitor the overall activities of the fund.

**Box 2.14: A Research and Studies Program in Ethiopia**

The Ethiopia social fund has resources allocated for studies to enhance the effectiveness of its operations. The fund includes as possible topics of study: construction, implementation and maintenance issues linked to design and performance of community-based projects and other fund activities; beneficiary assessments; income-generating projects that benefit women; and design of training materials if suitable materials are not available. A detailed list of criteria for appraising and selecting studies has been prepared and administrative procedures developed to manage studies from identification through completion. A monthly progress report is finalized only after discussion and agreement with the beneficiaries. A subproject completion report provides an opportunity for immediate evaluation of the subproject and includes sections on problem encountered and how they were solved; analysis of lessons learned; extent of utilization of the facility; and a report on actions taken to manage maintenance and recurrent costs. Completed subprojects are visited at least twice a year and an evaluation is completed which focuses on two issues: the extent of community utilization and satisfaction with the facilities; and the physical state of the facilities, maintenance efforts, and coverage of recurrent costs.



### **Box 2.15: Impact Assessment Surveys in Albania**

Impact Assessment Surveys in Albania will study a minimum of 5 percent of the subprojects executed during the year with sampling stratified by region and type of subproject. The survey includes interviews with the subproject applicant, the fund staff involved in the project, the contractors, individuals who provided the labor for the project, local leaders, officials involved in project implementation and/or maintenance, members of the community, and beneficiaries. Some of the issues to be addressed include the extent to which beneficiary expectations have been met, the role and responsibilities of local governments, technical quality and environmental impacts, economic impact, sustainability, maintenance and the involvement of user's committees.

### **15. Training Activities: Quantity and Quality**

Training has not always been a major component of the work of the social funds. The initial focus of the funds was to finance projects in poor communities, to respond quickly to the needs identified using consultants, contractors and non-governmental organizations to execute the work, and to rely on the line ministries and non-governmental organizations to address sustainability issues, identify training needs and design and implement training programs. The responsibility of many of the social funds began and ended with equipment and infrastructure and contracting with NGOs for service provision. As the social funds gained experience, several issues emerged that led to the development of training activities as an integral component of the project cycle, including the need for more inclusive beneficiary participation in project identification and the limited experience of line ministries and other local organizations in encouraging substantial community participation.

Training activities financed by the social funds have gained greater prominence in recent years and the operations manuals reviewed indicate that the current social fund programs encompass a wide variety of training activities. These may include training for members of the Board of Directors, social fund staff and consultants, local contractors, other local institutions, non-governmental organizations and beneficiaries. The content of the training programs runs the gamut from accounting and financial management to participatory techniques, community organization, gender issues, environmental assessment, project preparation, procurement and supervision, project operations and maintenance, institution building, and project administration. Some social funds provide short training courses for staff and consultants whenever the project cycle or social fund operating procedures are

modified. Others (Malawi, Romania) allow the community to contract experienced accountants and secretaries to support community project management efforts. The Ethiopian social fund supports internal study tours for its staff to visit successful projects and meet with community members to share experience and learn from them to enhance their capabilities in subproject preparation, implementation and management.

Some training programs are an integral part of the effort to strengthen social services, as in Togo, where the human resources development program includes activities that other social funds might link to investments in infrastructure or productive activities such as literacy training, health and nutrition education, training of health aides or childcare workers for a day care center. The program is divided into two parts; the first consists of investments in capacity building that are offered to the entire community or that will benefit the entire community. The second part consists of interventions that will improve the organizational capacity and implementation skills of the members of the community in problem diagnosis, identification of community needs, selection of priorities, preparation and management of projects.

Training programs tend to fit into three categories: (i) parallel programs that are executed by a training department in the social fund; (ii) separate programs or program components that are financed and executed by contractors or non-governmental organizations; or (iii) integral activities of the subproject that are executed at a particular point in the project cycle. Because they are often contracted to consultants and non-governmental organizations, detailed information regarding training programs and training materials do not always appear among the core documents that constitute the operations manual. The training materials that were available for review are undoubtedly a small sample of the materials that have been produced and are in use by the social funds.

### **Box 2.16: Training for Community Organization in Argentina**

The Argentina social fund initiates each project with community-based training to strengthen the capacity of local organizations to mobilize the community, plan and manage the preparation and implementation of projects financed by the social fund and others. The beneficiary communities define their technical assistance and training requirements and submit their requests to the social fund for review and approval. Once the capacity building efforts are completed, the investment project can be implemented. The project appraisal process includes an assessment of the training proposed by the community as part of the project preparation and implementation process.

## **16. Administrative and Financial Issues**

The operations manuals show considerable variation in their treatment of basic administrative issues. Some funds such as Thailand and Jamaica include the details of legal, administrative, and financial management procedures in the main body of the operations manual. In the case of Jamaica, the first seven of eighteen chapters in the operations manual address the institutional framework, accounting and financial procedures, building and equipment acquisition and maintenance, personnel policies, MIS policies and procedures, and auditing. Others such as Belize provide a brief description of the organizational units and their functions. Separate manuals address monitoring and evaluation, the MIS, procurement, legal issues, and financial management. Moldova has separate handbooks on finance and administration. Romania's manual includes descriptions of the functions of all key departments and provides terms of reference for key personnel in a separate annex. Togo's manuals include an annex on administrative procedures and job descriptions for key personnel. The Argentina fund has two manuals on administrative and financial procedures. Virtually all of the social funds have separate guidelines for procurement procedures.

## **17. Social Fund Investment Planning**

The traditional method of planning public investments in which budgets and investment targets are established in discussions between the line ministries and the fiscal authorities is not used by most of the social funds. Although some of the social funds allocate resources by sector as well as by geographic region, the allocations tend to be indicative rather than prescriptive. The development of the social fund investment program over the course of a year is an iterative process with modifications and adjustments made as

needed throughout the year. The social funds have demonstrated much greater flexibility in the use of their budget allocations than other public sector institutions.

### **18. Procurement Practices**

Procurement practices of the social funds have departed from those used by other public sector institutions in several ways. First of all, procurement has been decentralized to the community level in some social funds. The use of community-based contracting has required community groups to obtain legal persona in order to manage contracts and in some cases, disbursements. This strategy has often involved the development of contractor capabilities and training of community groups in project and contract supervision. Second, the social funds have used direct contracting to a greater extent than other institutions. The small size of many projects and remote location does not attract competitive bids, therefore direct contracting using the unit price cost structure to ensure efficiency and cost effectiveness have been applied to reduce delays in project execution and ensure the involvement of community groups in the project implementation process. The use of direct contracting often facilitates the contribution of local labor by the community group. Thresholds for direct contracting vary from \$25,000 to \$60,000. Third, some social funds have contracted local and regional nongovernmental organizations to implement some projects, particularly those that involve the delivery of social services. And finally, many social funds continue to use national competitive bidding for larger infrastructure projects such as roads and water systems and even international competitive bidding procedures for large works and to group purchases of textbooks, medicines, and other goods in order to obtain quantity discounts.

Some of the advantages of the high level of community participation in the procurement process include the increased opportunity for capacity building at the community level, the greater sense of control experienced by the community that generates the demand for the contract and determines the timing of the procurement actions. Strong local control has often resulted in lower levels of fraud and abuse. Legal remedies for nonperformance are clearly defined in procurement documents just as they are for any public sector procurement. Procurement audits are performed by many social funds to ensure the efficiency and quality of the procurement procedures.

Guidelines for estimating operating and maintenance cost of new or renovated facilities are a useful addition to project preparation guidelines. In many communities, there is little direct local experience with the operation and maintenance of some types of infrastructure and services subprojects. A checklist of the costs that should be included in the calculation of recurrent costs, such as taxes, insurance, personnel, materials and supplies are provided in the project appraisal manuals of the Argentina social fund. Cost sharing arrangements with institutions other than the beneficiaries or the social fund can also be defined and the value of their contributions estimated during project appraisal.

### **19. Financial Management Procedures**

The flow of funds from the social fund to communities, beneficiaries and intermediary organizations is described in the operations manuals and the information is made available to community groups, beneficiaries and intermediary organizations during project promotion and preparation. This is another aspect of the transparency of social fund operations that contributes to confidence in the institution. The management of funds throughout the project cycle varies and may involve the establishment of local accounts managed entirely by a community or beneficiary organization, the delegation of authority to establish local accounts to the regional office of the social fund, or the centralized management of all social fund financial management functions.

In Belize, all financial management functions are retained at the central level and all disbursements for administrative and project expenditures are made from the current account, which is replenished regularly from the proceeds of the World Bank loan. Ethiopia's financial management system provides for the use of a single central bank account and separate regional office accounts for administration and subprojects. In addition, every implementing agency is required to open an account in the name of the subproject. The regional offices supervise all disbursements to the implementing agencies. Standard procedures and withdrawal applications are used to replenish the regional office and implementing agency subproject accounts. In all cases, expenditures must be documented and submitted with the withdrawal application to the social fund. Two persons must be authorized to sign withdrawal applications and other financial documents. The size of the social fund and the size of the country often determine the extent of decentralization applied

to social fund financial management procedures. Annual audits are required for all social fund accounts including central, regional and subproject accounts. Annex 5 shows some of the variations on disbursement procedures for social funds.

## **20. The Role of Intermediaries and Other Institutions**

Some of the social investment funds give a prominent role in project development and implementation to nongovernmental organizations. Most of the operations manuals have explicit guidelines for the participation of these intermediary institutions in the work of the fund. These include evidence of their legal and financial status, staff qualifications, and experience of the organization with similar projects. Some social funds have developed training programs for the intermediaries in order to orient them to the work of the social fund and ensure consistency and quality in their work with social fund beneficiaries. Others have contracted intermediaries to design and implement training programs in community organization and capacity building for the beneficiaries of social fund projects. Some are contracted to deliver social services. Relations with these other institutions, their participation in the social fund Board of Directors and policy level discussions vary considerably from country to country.

### **Box 2.17: The Palestinian NGO Project**

The Palestinian NGO Project works entirely through intermediary organizations including NGOs, private consultancy companies, universities, training institutions, consultants and individuals with special skills. The project finances grants, service contracts, development grants, research grants and capacity building service contracts for NGOs. There are general and specific eligibility criteria for each type of grant. Each institution must demonstrate its potential for fulfilling project objectives, transparency and accountability and commitment to social and economic development. Evidence of community support must also be furnished and backed up by co-financing and local contributions. A consortium of three non-governmental organizations registered in Europe manages the project: the Welfare Association, the British Council, and the Charities Aid Foundation. The Consortium has established a Project Management Organization to manage the project. Project cycle diagrams are included in Annex 4.

The advantage of working with intermediary organizations in those countries where qualified institutions exist is that they often compensate for the lack of local and regional institutional capacity. Their experience with projects can make them invaluable partners to

the social fund and the beneficiary communities. The disadvantage of working with the intermediary institutions is that over the years they have developed their own modus operandi that may not be adaptable to the social fund program. They may also have developed relationships with local groups that represent one faction or another of the local population and may not be regarded as neutral participants in the social fund program. Jamaica requires that community groups and community-based organizations provide evidence that they have an elected executive body, hold regular meetings and have wide community representation from institutions such as churches, youth clubs, women's groups and golden age groups. In Togo, intermediaries must satisfy institutional and technical criteria including a permanent staff of qualified personnel and transparent decision-making mechanisms; a minimum of three years experience; familiarity with participatory techniques and tangible results of initiatives that involve beneficiaries.

## **21. Management Information Systems**

Every social fund has developed an information system that is designed to support planning, financial, administrative and subproject requirements. Many of these systems are quite sophisticated with electronic mail links between central and field offices; software that permits project appraisers and supervisors to enter their reports directly into the central MIS complete with photographs of works in execution and members of the community; project management systems that allow automatic transfer of funds between central and regional offices; the collection of project monitoring data while the project is being implemented; and daily updates on procurement activity. There is no single system that stands out as the best possible system for a social fund and indeed, each system must be adapted to the operations of the social fund it supports if the MIS is to work efficiently. The social fund network has been very active in exchanging information and experience on the use of management information systems and these are modified on a regular basis to reflect changes in the technology and requirements of the social funds.

### **III. Guidelines for the Preparation of a Social Funds Operations Manual**

#### **1. Introduction**

The information reviewed in the preceding sections demonstrates that the social fund operations manuals are often comprehensive and sometimes exhaustive in their efforts to provide the information required to guide the work of the funds. There are variations that demonstrate the unique characteristics of each fund and differences in the approach taken. However, there is a series of issues that need to be addressed in all social fund operations manuals and some essential information that all of the operations manual contain or should contain, either in the principal document or in supporting documents and annexes.

It is useful to begin with a brief introduction to the manual that explains how it is organized. A table of contents is essential and a list of maps, illustrations and annexes, including supplementary manuals, will facilitate use of the manual. The same argument may be made for the inclusion of a list of acronyms and abbreviations, a glossary of terms used in the manual and a list of references that includes the titles of other manuals and handbooks prepared by the social fund and used in the management and administration of the social fund and subprojects. The date of the manual's preparation or adoption and its status - draft, final, or revised - with the revision dates noted, is also useful for reasons that do not need to be explained here. Brief summaries of the approaches taken by a few of the social funds for each of the following points are included as Annex 6.

- **The Policy Framework and Social Fund Objectives** – This section should contain a summary of the social and economic conditions that provide the rationale for the establishment of the social fund. The policy framework should provide a complete and coherent exposition of the relationship between the government's social and economic development policies and strategies and the rationale for the existence of the social fund. Within this framework, a summary of the social fund objectives provides an orientation to the work of the fund and refers the reader to the sections of the manual that describe each of the social fund's activities in greater detail. A logical framework to order the information concerning policies, objectives, activities and measures of success of the social fund can be used to summarize this information and contribute to the transparency of the social fund operation.



- **Social Fund Organization-Institutional Structure** – This section should contain: The legislation or decree that authorizes the establishment of the social fund and a summary of the principal terms of these agreements including the duration of the authorization and requirements for modification. An organization chart and brief description of the role and responsibilities of the Board of Directors, the managers and staff of the social fund. The functions and responsibilities delegated to regional offices, local and regional governments, line ministries or other public sector entities, and those that are delegated to nongovernmental organizations and other private sector institutions including individual consultants and contractors. The job descriptions and terms of reference of staff members may be included in a separate manual that addresses social fund administration. The role and responsibilities of the communities and/or individuals who are the beneficiaries of the social fund programs. If decentralization or deconcentration are elements of a broader government policy and strategy, a reference to the social fund response to these issues should be included in the operations manual, complete with specific information regarding how and when the social fund will decentralize or deconcentrate its operations.

- **The Beneficiary Community and Project Targeting Mechanisms** – A description of the beneficiary communities or individuals who are eligible for assistance from the social fund. The economic, demographic, geographic and social characteristics that make these particular individuals or population groups eligible for social fund programs. A summary of the studies, surveys or other data gathering efforts that were used by the social fund to define the beneficiary population, the date or age of the information used and the date or periodicity of updates or modifications of the information. The criteria used by the social fund to target its investments, including economic, demographic, geographic, and social characteristics and the mechanisms used to reach the target population. A summary of how the social fund selects projects for consideration, including the use of annual, semiannual or quarterly reviews of projects, a rolling list of projects submitted, geographic, sector or other characteristics applied for the allocation of resources and the project screening processes.

- **The Project Cycle**– A description of the project menu, open or closed, or list of projects eligible for social fund support and the contents and use of negative lists if relevant. The rationale for the project menu and whether it was determined based on the needs

identified by poverty analyses, population and other census data, household and other surveys, and consultations with the potential beneficiaries and governmental and non-governmental organizations. The ceiling on the total cost of any single project should be established but reviewed regularly and updated if inflation or changed in the social fund strategy indicate that this is appropriate. Project ceilings should have some flexibility to accommodate, for instance, a single project that provides water or sewage connections for more than one community.

A complete description of the project cycle includes project promotion activities, community orientation to the work of the social fund, problem identification and/or community-based assessment, project identification and prioritization, project preparation. Transparency in social fund operations is key to establishing and maintaining confidence in the social fund. A strong foundation of participatory planning, problem identification and project prioritization offer a strong foundation for the projects financed by the social fund.

Standard procedures and uniform technical formats and appraisal criteria facilitate the work of the social fund. A diagram of the process is often used as a teaching aid in meetings with representatives of communities and other institutions. Capacity-building activities as part of the project cycle can be described. Guidelines that specify who may present a project proposal and the conditions under which proposals will be considered for social fund support. Requirements for technical review and clearance by line ministries or other organizations, environmental assessment procedures, other technical and social assessments required to address issues such as gender and minority group participation can be identified and described in the manual, its annexes or in supplementary manuals. Requirements for field visits by social fund staff, technical experts, contractors, consultants, public and private sector organizations should be defined. Priority ranking of projects, if applied, should be described.

The operations manual should specify the role and responsibilities of the social fund, the community, local and regional government, nongovernmental organizations, in each of the steps included in the project cycle. A detailed explanation of the method to be used for project costing should be included and guidelines provided regarding the use of a unit cost database, project evaluation or assessment, the use of social and economic analyses including

cost-benefit analysis, cost-effectiveness analysis and economic rate of return, planning for project operation and sustainability and cost recovery requirements where they are relevant. Reference should be made to all training activities that are prerequisites to project preparation or integral elements of project preparation, implementation, completion, initiation and sustainable operation. It is useful to provide information with respect to the organization of training and the implementing agencies or training institutions that may be involved. Forms used should be reviewed periodically and revised as needed to improve social fund procedures.

- **Project Approval Procedures** – The project review and approval procedures that are applicable for each type of project with identification of critical points in the project review process, the levels of review and criteria used to evaluate the projects, technical and environmental reviews required, the identity and location of project review committees, and authorization to approve or reject projects. A description of the procedures followed to revise, re-review or reject projects and the relevant decision-making processes should also be included. The transparency and objectivity of project review and approval procedures are critical to maintaining credibility and support for the social fund.

- **Project Implementation Planning** – Requirements for project implementation, including a confirmation of cost estimates and cost recovery plans prepared in the course of project preparation, procedures followed to review projects and confirm the availability of other resources to be provided such as personnel, salaries, materials and equipment, support for project operations and maintenance, and coordination with local government, line ministries, other public and private sector institutions. A description of the procurement procedures used and reference to all relevant procurement documentation used by the social fund. Requirements for community or beneficiary contributions and a description of how these are organized, monitored, valued, and entered into the project accounts. Requirements and procedures to follow for the transfer of assets, if relevant, to the community, the local government or other legal entity.

- **Project Supervision and Planning for Sustainability** – Requirements for supervision during project implementation, including a description of the personnel and/or institutions involved, the role and responsibilities of the community and beneficiaries,

training activities linked to this aspect of the project cycle, expected scheduled of field supervision visits and the related information gathering requirements. Identification of project-related training activities prescribed for the community, contractors, nongovernmental organizations, and other institutions. Procedures for development of a project operation and maintenance plan and arrangements including cost recovery mechanisms and training activities required for project sustainability.

- **Community Participation and Beneficiary Contributions** – A description of the organization and execution of community participation activities including participatory planning at each step in the project cycle is an essential ingredient of the operations manual. The role and responsibilities of the social fund, the community, the beneficiaries and other institutions in the mobilization of community members, the organization of participatory activities, procedures used to verify the quality and extent of community participation and to mobilize and record community contributions to the project. Reference should be made to the types of training offered to ensure an adequate response from the community. In some funds, an assessment of the community capacity to work with the fund is used to design a training program that meets the needs of each community. Guidelines for registering and accounting for community contributions to the project. Monitoring and evaluation efforts related to community participation and beneficiary contributions.

The quality of community participation is not easy to measure but some of the beneficiary assessments have revealed some problems with respect to the participation of women and minority ethnic and linguistic groups and a need for closer monitoring of their participation. Other evaluations have found indications of contractors guiding the selection of projects to those that they can execute. A strong community with a good understanding of the social fund is more likely to be aware of the need to include all groups in the social fund program and less likely to be swayed by a contractor. When community profiles, participatory needs assessments, training programs and visits to communities with successful projects are prerequisites to the financing of a social fund project, they can help the community and the social fund staff to improve the quality of their project development process and build community commitment to the project. A strong commitment to the

project increases the possibility of having a successful project and a community that will work to sustain it.

- **Training Activities** – A summary of all training activities that are relevant to the work of the social fund, the organizations that will be used to design and implement training programs, role and responsibilities of the social fund central and regional offices, line ministries and other public sector institutions, training institutions, nongovernmental organizations, consultants, contractors and beneficiaries. The level of effort, cost and periodicity of training activities, responsibility for supervising, monitoring and evaluating training programs, and modification of training programs as needed. An outline of the interagency agreements and/or contracting procedures to be used to implement training programs.

The training strategy developed by the social fund ideally begins with the fund's policies and objectives and considers the training requirements of all of the activities of the social fund. Training programs should have an internal consistency and be mutually reinforcing so that there is synergy and a cumulative effect that avoids duplication of effort except where it is needed to reinforce the knowledge and skills of the trainees. The training strategy should consider the needs of the beneficiaries, the social fund staff, government officials who interact with the social fund, regional and local officials, consultants and contractors and staff from governmental and non-governmental organizations. Some of the training offered by the social funds provides benefits for the staff of other institutions and individuals such as consultants and contractors that extend beyond the work of the social fund, therefore the concept of cost recovery for all or part of the cost of training could be considered. Some training may already exist in the programs of other institutions and could be adapted for use by the social fund. Training programs should be reviewed regularly and revised based on changes in the policy and programs of the social fund, the results of evaluations, and feedback from trainees and institutions.

- **Procurement Procedures** – A summary of the type of procurement expected, procurement requirements and estimated cost by type of procurement. Reference to the type and location of procurement documents including standard bid documents and models for letters of invitation to bid, etc., and procurement review procedures. Plans including budget

and indicative schedule for training social fund staff, communities, beneficiaries, contractors and the staff of public and private sector institutions in social fund procurement procedures. Social fund plans for procurement audits including a schedule of the audits planned, a description of the sampling technique to be used to select subprojects for audit and the contracting and other procedures to be used for the audit. Plans for dissemination of the results of procurement audits.

Requirements for regular supervision during implementation and feedback from communities, beneficiaries, and other institutions in the project area are essential to good management of social fund procurement and can be used to identify anomalies and inefficiencies in the procurement process. Regular review of procurement experience in the ex-post evaluation of completed projects can be used to supplement the information provided by procurement audits and provide feedback on the quality and efficiency of innovative procurement methods.

- **Disbursement and Financial Management Procedures** – A description of the organization of the financial management system of the social fund, the administrative and project accounts at central, regional and community level and accounts managed by other institutions, if relevant. Requirements for opening, using and closing accounts. The flow of funds for administrative and project-related activities, the role and responsibilities of the central and regional offices of the social fund, public and private sector institutions, the community and beneficiaries. Interagency agreements for projects that involve a transfer of financial resources from the social fund to other institutions. Arrangements for monitoring and control of financial flows, training activities related to financial management procedures for social fund staff, communities and beneficiaries, staff from other organizations and plans for financial audits.

- **Project Monitoring and Evaluation, Research and Studies** – A list of the indicators used to monitor the social fund activities, periodicity of collection and analysis, identification of users and plans for analysis and dissemination of information to the government, donor organizations, the Board of Directors, social fund senior managers, regional offices, consultants and contractors, communities and beneficiaries. A description of the evaluations, research and other studies to be undertaken by the fund, objectives and

timing, analysis and dissemination of results. Training activities for social fund staff, beneficiaries, communities, staff of other institutions related to monitoring and evaluation, research and studies.

Systems to monitor and evaluate the work of the social fund and the individual projects need to be designed as an integral part of the fund's project cycle and identified in the operations manual. If the project cycle is designed to support project monitoring and evaluation requirements, it is less likely to result in the collection of data that will never be used and evaluation instruments that provide too much information on quantity and little on quality. Project evaluations are rarely designed when the social fund initiates its work and as a result, most social funds have difficulty reconstructing the baseline situation in the community in order to measure the impact of the investments. If the evaluation work of the social funds is to improve, greater attention needs to be given to the collection of baseline data as part of the problem definition, project promotion and identification process. Baseline data is more easily used for evaluation purposes if it is quantifiable and if the statistics gathered can be verified objectively

- **The Management Information System** – A description of the information system and subsystems for projects, administration, financial management, procurement, disbursements, links between the central and regional offices, links with other institutions, and principal characteristics of the system including integration, technology, related data bases, users, integrity of the data, interface with users, reports produced and available for export in various formats, profiles of the users and access control and training activities related to development and use of the MIS. Plans for investments in new or additional hardware and software, use of consultants and contractors to support MIS investments, installation and testing, training of staff and others as needed.

- **Interagency Coordination** – Guidelines for interagency coordination, eligibility criteria for the selection of cooperating agencies, conditions for the participation of cooperating agencies in social fund projects, registration requirements, the project cycle (if different from the project cycle describe above), eligibility for development grant or capacity building resources, capacity-building assessment, grant selection and approval processes, disbursement of funds, supervision and monitoring during implementation, evaluation and

final project performance review. A summary of the agreements with other public sector institutions, date of effectiveness, and the conditions included in the agreements should be available to users of the operations manuals.



#### **IV. Conclusions and Recommendations**

If the fifteen operations manuals reviewed for this report can be considered representative of the manuals of all of the social investment funds, the results are reassuring. The social funds have done an excellent job preparing their operations manuals. There is some unevenness in the depth of coverage of a few topics in some of the manuals but there is no single topic that is inadequately covered by all of the social funds. Some of the variations in emphasis appear to stem from the policy mandate of the government and the social fund and not from a deliberate oversight at the technical level.

The social fund mandate and program may change over time and these changes need to be reflected in the operations manuals. Information revealed in the course of ex post evaluations of completed projects may also point to the need for revisions in social fund criteria and procedures. Changes in government policies and administrative practices need to be incorporated into the social fund operations manuals. Social fund operations manuals should be reviewed and revised regularly to ensure that they are consistent with public sector requirements, reflect changes in program strategy, content and lessons learned from the evaluation of completed subprojects, and contribute to quality improvements in the social fund program.

Given the volume of information contained in the operations manual, it is essential to include a guide to the manual such as a good table of contents to facilitate the use of the manual. Brevity should be considered a virtue for all of the social fund manuals to the extent that this is possible. The manuals should be reviewed with a critical eye toward removing excess verbiage, repetition and extraneous information. It may also be worthwhile to consider having some sections of the manuals reproduced in small, easy to carry pocket size versions for those who find it useful to have some part of the manual as a reference when they travel to project sites.

The project cycle as explained in the operations manuals is an excellent vehicle for explaining how the social fund works. However, it does not always indicate who is responsible for what and the approximate amount of time required to complete each of the steps in the project cycle. Informal feedback from beneficiaries in the course of several years of work with the social funds has been marked by beneficiary comments about how long it

takes to complete the project and a generally weak understanding of the reasons for the delays. A matrix that identifies who is responsible for each stage of the subproject cycle and an estimate of the amount of time required to complete each step based on the experience of other communities would be a useful learning and project-monitoring tool for beneficiaries, social fund staff and managers, contractors and other institutions.

The overall organization of the manuals merits some review and rethinking, perhaps with the participation of users groups. Working groups might be organized with representatives of the social fund, community organizations, local or regional government, representatives of line ministries, to focus on policy issues and the extent to which the operations manual responds to the policy mandate of the fund. Technical issues could be discussed in a separate series of meetings. The social funds need to be confident that their manuals provide enough information in the proper format to ensure their use by social fund staff, other individuals and institutions, and beneficiaries. The social funds that have not field-tested their operations manuals recently might consider doing so and updating the manuals to reflect the comments and experience of the communities, the contractors, and other institutions.

Many of the social funds have participated in study tours and in general, the study tours have been praised for their usefulness. While a study tour to review operations manuals seems out of place, it is conceivable to envisage meetings or seminars with representative from a small number of social funds where content, format, and experience with the operations manuals could be discussed in a forum that encourages the sharing of knowledge and experience and identifies ways in which the operations manuals can be improved. These meetings could include the participation of some of the beneficiaries from communities that have executed social fund projects.

The social exclusion and economic and physical isolation of the poor are often cited as reasons for the persistence of poverty. Given the extensive contact of the social funds with poor communities, other opportunities for involving the poor in local, regional, national and international meetings to discuss poverty and community development issues might be identified by the social fund community. These activities could be used to increase the

participation of representatives of poor communities in the broader discussions of poverty problems and the identification of innovative solutions.

## **Annex 1: List of Social Funds Included in the Report**

### **Africa Region**

Ethiopia

Malawi

Togo

### **Asia Region**

Cambodia

Thailand

### **Europe and Central Asia Region**

Albania

Moldova

Romania

### **Latin America and the Caribbean Region**

Argentina

Belize

Jamaica

Nicaragua

### **Middle East and North Africa Region**

Egypt

Palestinian Welfare Association

Yemen

## **Annex 2: Table of Contents of Operations Manuals Reviewed**

### **Africa Region**

#### **Ethiopia:** Social Rehabilitation and Development Fund, Operational Manual, April 1996

##### Section One – Policies, Mandate and Structure

1. Policy Background Mandate, Characteristics and Objectives
2. Organization and Function

##### Section Two – Overview of Sub-project Processing Cycle and Annual Plan Review

3. Sub-project Promotion
4. Sub-project Appraisal and Approval Procedures
5. Sub-project Implementation
6. Post-Implementation Monitoring and Evaluation
7. Annual Work Program and Budget

##### Section Three – Training and Capability Building

8. Training Program
9. Study Fund

##### Section Four – Financial and Administrative Guidelines

10. Procurement Guidelines
11. Disbursement Operation
12. Financial Reporting, Auditing and Administrative Procedures
13. Equipment

#### **Malawi:** Malawi Social Action Fund, Project Implementation Manual, Revised, May, 1998

##### Community Sub-Projects Implementation Handbook

- Chapter 1 – Background and Justification
- Chapter 2 – The MASAF Project Mandate
- Chapter 3 – Description of the Project
- Chapter 4 – Institutional and Management Structure
- Chapter 5 – Project Cycle Processes
- Chapter 6 – Environmental Impact Assessment Process and Procedures
- Chapter 7 – Monitoring and Evaluation
- Chapter 8 – Project Support Services

##### Additional Handbooks Listed in the Project Implementation Manual

1. Public Works Program Implementation Handbook
2. Community Project Management Handbook
3. Sponsored Sub-projects Handbook
4. Construction Handbook
5. Internal Audit Handbook
6. MIS Manual

**Republic of Togo:** Agency for the Support of Basic Initiatives (Agence d'Appui aux Initiatives de Base – AGAIB), Operations Manual, Volumes 1 and 2; Administrative Manual, Volume 3, January, 2000

Volume I

1. Principles, Objectives, Mandate and Strategies
2. Organization, Internal Structure, Intermediaries and Project Approval Processes
3. Basic Community Infrastructure
4. Capacity Building for Communities
5. Support for Micro enterprise Projects

Volume II

- 1 – 7. Personnel Job Descriptions and Terms of Reference
- 8 – 15. Technical Forms and Model Contracts
- 16 – 17. Project Monitoring and Evaluation

Volume III

1. Procurement of Goods and Works
2. Management of Consumables
3. Management of the Information System Equipment
4. Technical Assistance Services
- 5/6. Project Management Forms

**Asia Region**

**Cambodia:** Social Fund of the Kingdom of Cambodia, Operations Manual, 1999

- Chapter 1, Parts 1 – 11 – Overview of Operations – Objectives, Institutional Framework, Organizational Structure, Project Cycle, Project Menu, Poverty Targeting
- Chapter 2, Parts 1 – 7 – Promotion, Outreach, Screening, Sectoral Coordination, Ranking
- Chapter 3, Parts 1 – 9 – Project Appraisal
- Chapter 4, Parts 1 – 6 – Procurement
- Chapter 5, Parts 1 – 15 – Project Supervision and Project Launch
- Chapter 6, Parts 1 – 8 – Participation, Sustainability and Monitoring

**Thailand:** Social Investment Fund, Operations Manual, 2<sup>nd</sup> Edition, October, 1999

- Chapter 1 – Overview of the Social Investment Fund
- Chapter 2 – Functional Responsibilities of the Social Fund Office and the Regional Social Fund Offices
- Chapter 3 – Auditing
- Chapter 4 – Procurement and Legal Unit
- Chapter 5 – Management Information System
- Chapter 5 – Monitoring and Evaluation
- Appendices
  - Appendix 1 – Overview
  - Appendix 2, 3 – Community Welfare Projects Through Community Organization Networks

- Appendix 4 – Memorandum of Participation – Provincial Task Forces and the SIF
- Appendix 5 – Guidelines for Regional Committee Collaboration
- Appendix 6 – SIF Subproject Consideration Guidelines
- Appendix 7 – Targeting Map – Funding by Province
- Appendix 8 – Project Menu
- Appendix 9 – Criteria for Subproject Screening and Analysis
- Appendix 10 – Appraisal Criteria
- Appendix 11 – Appraisal Criteria and Indicators
- Appendix 12 – Subproject Appraisal Summary for Subproject Applications
- Appendices 13 – 20 (in Thai)
- Appendix 21 – Local External Supervisor
- Appendix 22 – Progress Report for Work Installment
- Appendix 23 – End of Subproject Report
- Appendix 24 – Social Investment Fund Monitoring Framework
- Appendix 25 – Principles and Procedures for Phase 2 Subproject Applications
- Appendix 26 – Guidelines for Government Savings Bank Branch Office Staff  
Participating in SIF Operations
- Appendices 27 – 31 (in Thai)

### **Europe and Central Asia Region**

**Republic of Albania:** Albania Development Fund, Community Works Project Operational Manual, February 1999

- Chapter 1 – General Objectives and Principles
- Chapter 2 – Infrastructure Component – (Project Cycle)
- Chapter 3 – Local Government and Community Capacity Building Component
- Chapter 4 – ADF Organization
- Chapter 5 – Monitoring

**Moldova:** Moldova Social Investment Fund, Operational Manual, October 15, 1998  
Volume I

- Chapter 1 - MSIF Objectives
- Chapter 2 – Promotion and Local Studies
- Chapter 3 – Micro-project Cycle
- Chapter 4 – MSIF Capacity Building
- Chapter 5 – Monitoring and MIS
- Chapter 6 - Procurement Procedures
- Chapter 7 - Finance and Administration Procedures

Volume II – Follow-up Handbook

- Chapter 1- Construction Works Commencement Procedure
- Chapter 2 – Supervision of Works
- Chapter 3 – Micro-project Change Order Procedure
- Chapter 4 – Payments for Executed Works
- Chapter 5 – Completion of Works and Micro-project Handover

Chapter 6 – First Two Years Performance Period  
Volume III – Children’s Social Development Program Operational Guidelines  
Volume IV – Promotion Handbook  
Volume V – Financial and Administrative Handbook

**Romania: Social Development Fund Operational Manual, Draft, May 6, 1998**

- Annex 1 – Targeting Mechanisms
- Annex 3.1 – Terms of Reference – Executive Director
- Annex 3.2 – TOR - Finance and Administration Director
- Annex 3.3 – TOR – Facilitation and Promotion Officer
- Annex 4 – Guidelines for Facilitation
- Annex 5 – Community Based Social Services Partnership Forms
- Annex 6 – Procedure for Obtaining Legal Persona for Community Organizations and Productive Groups
- Annex 7 – Project Application Form – Small Rural Infrastructure
- Annex 8.1 – Community Based Social Services – Project Application Form
  - Annex 8.1.1 – Community Care Profile Form
  - Annex 8.1.2 – Focus Group Form
  - Annex 8.1.3 – Beneficiaries Assessment Form
  - Annex 8.1.4 – NGO Capacity Form
- Annex 8.2 – Community Based Social Services – Guidelines for Project Application
- Annex 9.1 – Income Generating Activities – Project Application Form
- Annex 9.2 – Income Generating Activities – Guide for Writing Proposal
- Annex 9.3 – Income Generating Activities – Business Plan
  - Annex 9.3.2 – Details of Activity
- Annex 10.1 – Small Rural Infrastructure Projects - Guidelines for Appraisers
  - I. Social Infrastructure, II. Economic Infrastructure
- Annex 10.2 – Community Based Social Services – Guidelines for Appraisers
- Annex 10.3 – Income Generating Activities – Guidelines for Appraisers
- Annex 11.1 – 4– Field Appraisal Forms – Piped Water, Wells, Latrines, Sewerage
- Annex 11.5 – Field Appraisal Forms – Community Centers
- Annex 11.6 – Field Appraisal Forms – Rural Roads
- Annex 13 – Income Generating & Employment Opportunities – Ex-Ante Appraisal Form
- Annex 14.1 – Grant Agreement Model 1
- Annex 14.2 – Grant Agreement Model 2
- Annex 15 – TOR - Supervisors, Appraisers, and MIS Analyst
- Annex 16.1 – Small Rural Infrastructure – Supervision Form
- Annex 16.2 – Small Rural Infrastructure – Supervision Visit Summary
- Annex 17.2 – Community Based Services – Supervision Form



## Latin America and the Caribbean Region

**Republic of Argentina:** FOPAR, Fondo Participativo de Inversion Social (Participatory Fund for Social Investment), Operations Manual, September 11, 1998  
(no table of contents)

1. Guidelines for the Presentation of Projects – Province of Jujuy
2. Guidelines (Manuals) for the Preparation of Projects
  - Multipurpose Community Centers
  - Small Irrigation Systems
  - Community Recreation Areas
  - Small Community Works
  - Construction in Support of Production
  - Community-based Communication
  - Promotion of Community Development and Training of Community Agents
  - Small Forestry Projects
  - Basic Sanitation, Latrines and Community Sanitary Facilities
  - Strengthening of Community Organizations
  - Community Health Services Facilities
  - Household Solid Waste Disposal Systems
  - Small Water Systems
3. Manuals for the Ex-ante Evaluation of Projects
  - Multipurpose Community Centers
  - Small Irrigation Systems
  - Small Community Works
  - Small Forestry Projects
  - Basic Sanitation, Latrines and Community Sanitary Facilities
  - Household Waste Disposal Systems
  - Small Water Systems
  - Communication
4. Promotion of Community Development, and Training of Community Agents
5. Strengthening of Community Organizations for Income-generating Projects
6. Community Recreation Projects
7. Design and Quality of the Work in Community Projects
8. Project Costing Manual
9. Supervisor's Manual
10. Guide for Beneficiary Participation in Project Management and Supervision
11. Project Monitoring Manual
12. The Management Information System
13. Training in Community Projects
14. Financial Management for Projects Solicited by Technical Support Organizations
15. Administrative Procedures for the Financial Management Unit
16. Administrative Procedures for Provincial Participatory Social Investment Programs

**Belize:** Social Investment Fund Operational Manual, May 30, 1997

Chapter 1 – Introduction, Background, Objectives, Approach, Project Menu, Targeting Strategy

Chapter 2 – Organizational Structure of the Fund

Chapter 3 – Promotional Strategy

Chapter 4 – The Project Cycle

Annex 1A – BSIF Project Cycle

Annex 1B – MIS Project Cycle

Annex 1C – MIS Project Cycle – Description of Codes

Annex 2 – Project Screening Checklist

Annex 3 – Project Screening Report Form

Annex 4 – Rejection Letter #1

Annex 5 – Referral Letter #2

Annex 6 – Line Ministry Letter #3

Annex 7 – Ministry Objects Letter #4

Annex 8 – Priority Ranking

Annex 9 – Reformulation Letter #5

Annex 10 – Appraisal Letter #6

Annex 11 – Project Summary Form

Annex 12 – Project Completion Report Form

Chapter 5 – Monitoring and Evaluation

Chapter 6 – Finance and Administration

Chapter 7 – Management of Information System

Chapter 8 – Micro-enterprise Credit Program

Project Cycle Appraisal Guide

Project Preparation Guide and Application Form

Community Needs Assessment Guide

Project Supervision Guide

Legal Guide

Limited International Bidding – Goods

National Competitive Bidding – Works

Shopping – Simplified Contracts - Works

Financial Guide

**Jamaica:** Social Investment Fund Operational Manual, June, 1998

Background to the JSIF

Institutional Framework

Accounting and Financial Procedures

Administration

1. Personnel Policies
2. Management Information Systems
3. Auditing of JSIF
4. Overview of Project Cycle
5. Menu of Eligible Projects and Eligibility Principles
6. Targeting

7. Project Promotion and Identification
8. Preparation of Proposals
9. Project Appraisal and Approval
10. Procurement Procedures
11. Supervision
12. Project Completion
13. Monitoring and Evaluation
14. Environmental Guidelines

#### Annexes

- Annex 1 - Main Environmental Regulations in Jamaica
- Annex 2 – JSIF Environmental Guidelines
- Annex 3 – Recommendations for the Operational Manual

#### Community Facilities Maintenance Handbook

- Part 1 – Getting Ready
- Part 2 - Maintenance of Buildings
- Part 3 - Maintaining Equipment
- Part 4 – Maintenance of Roads
- Part 5 – Maintenance of Small Water Schemes

#### Additional Annexes

- Annex 1 – General Checklist of Appraisal during Field Visit
- Annex 2 – Appraisal Criteria by Sub-project
- Annex 3 – Reporting Format for Sub-projects Proposed for Funding
- Annex 4 – Financing Agreement with Implementing Agency (sample)
- Annex 5 - Criteria Applying to Implementing Agencies
- Annex 6 – Monthly Progress Report of Implementing Agency
- Annex 7 - Project Visit Monitoring Form
- Annex 8 – Monthly Summary of Fund Activities

#### **Nicaragua:** Operations Manual, FISE - Fondo de Inversion Social de Emergencia (Emergency Social Investment Fund)

1. Evaluation Department Manuals – Guidelines for Project Preparation
  - Potable Water and Sewerage
  - Reforestation and the Protection of Soils
  - Improvements in Community Infrastructure and Services
  - Health
  - Social Welfare
2. Contracting Manual
3. Community Training in Project Maintenance
4. Community Training in Project Management and Administration

## **Middle East and North Africa Region**

**Arab Republic of Egypt:** Social Fund for Development, Operations Manual, 1997  
Program Manual – Public Works Program of the Social Fund for Development

1. Introduction – Strategy, Activities, Targeting, Subproject Selection
2. Project Cycle
3. Project Implementation
4. Civil Society Organizations
5. Project Follow-up and Sustainability

### **Annexes**

- Annex 1 – Government Priority Rating
- Annex 2 – Appraisal Forms
- Annex 3 – Project Cycle
- Annex 4 – Project Final Evaluation Forms

Operations Manual – Community Development Program of the Social Fund for Development

Part One – The Social Fund for Development

Part Two – The Community Development Program

1. Introduction
2. Objectives
3. Social Development Activities
4. Productive Activities
5. Operational Framework
6. The Community Development Program
7. Monitoring and Evaluation
8. Auditing

Part Three – The SFD Secretariat General and Regional Offices Network and Beneficiaries Support Unit

**Palestinian Welfare Association:** Operations Manual for the Palestinian NGO Project, March, 1998

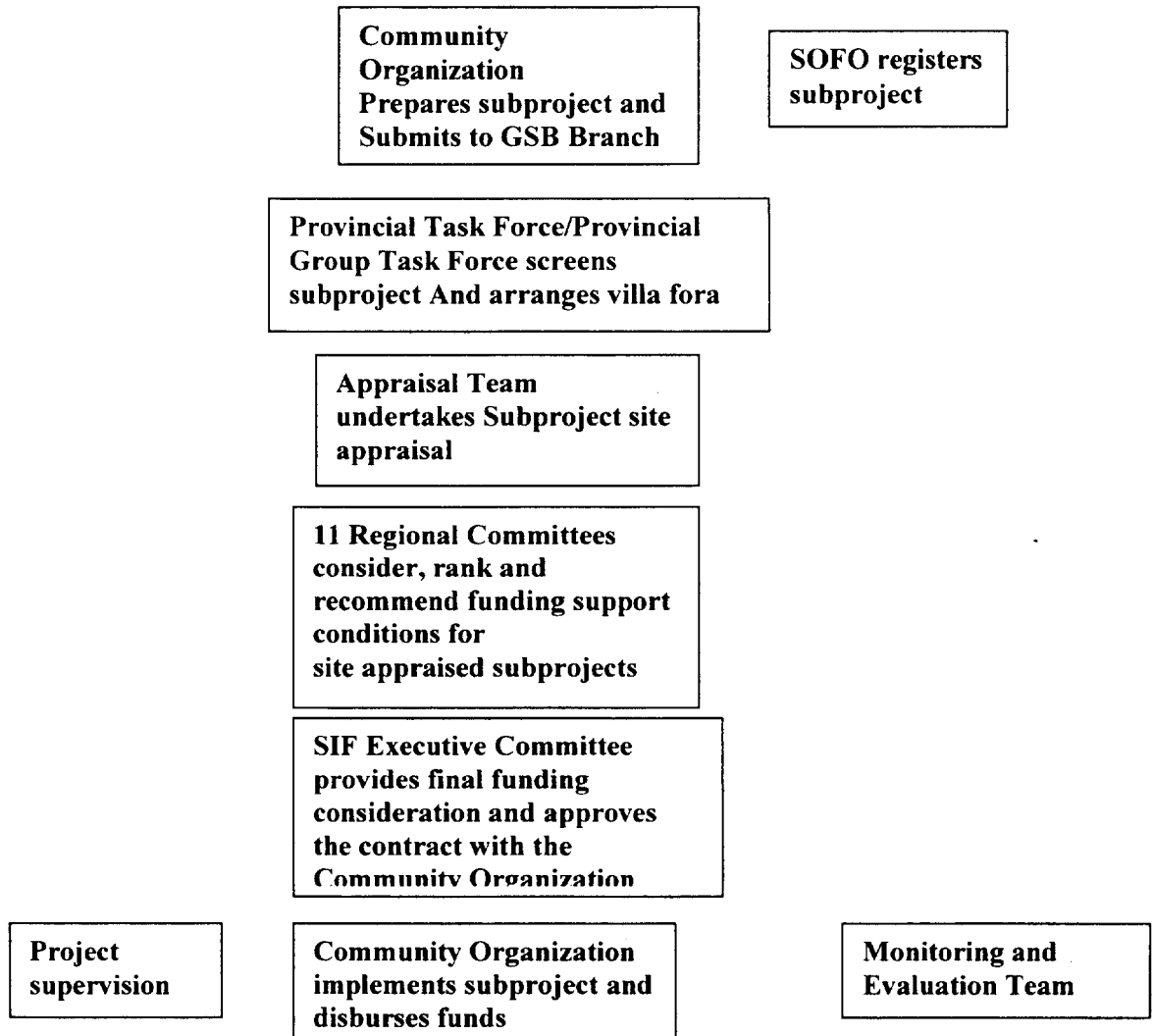
1. The Palestinian NGO Project – Introduction
2. Project Structure and Organization
3. How It Works, the Grant Award Cycle, the Service Contract Award Cycle
4. Selection and Appraisal
5. Implementation, Monitoring and Evaluation

**Republic of Yemen:** Social Fund for Development, Operational Manual, May, 1997

1. The Yemen Social Fund for Development – Context and Characteristics
2. Organization and Function of the Fund
3. The Subproject Cycle
4. Eligibility and Selection Criteria
5. Coordination between the Funds , Government Agencies & Donor Activities
6. Sub-project Administrative and Financial Procedures

### Annex 3: Project Cycle Illustration

#### Thailand Adjusted Structure and Operational Procedures of the SIF



#### Annex 4: Identification, Selection and Approval of Sub-projects Yemen

Level	Step	Responsible Unit/Main Activities
Local	Promotion	<b>Regional Offices/MU</b> Information of different actors On objectives of SFD (light information campaign well-targeted)
Local	Identification	<b>Local communities assisted by sponsoring agencies or Regional Offices</b> Discussion with beneficiaries about their needs, priority projects, Preparation of project ideas, Forwarding of proposals to Regional Office
Regional	Screening	<b>Regional Offices</b> Screening of projects on the basis of objective general evaluation criteria
Regional	Appraisal	<b>Regional Offices assisted by sponsoring agencies or consultants as required</b> Field appraisal to verify the commitment of the community and the technical and socio-economic feasibility of the proposal
Regional	Selection and planning	<b>Regional Offices</b> Selection of the projects on the basis of field appraisal and objective rating system
Regional	Approval of minor sub-projects	<b>Regional Offices</b> Approval of minor projects to a ceiling to be determined by the Managing Director
National	Approval of subprojects up to an amount of \$250,000	<b>Managing Director</b> Approval of projects of an amount higher than the above ceiling and less than \$250,000 equivalent
National	Yearly investment program	<b>Management Unit/Board of Directors</b> Preparation of yearly investment program per governorate to be prepared by the MU and approved by the Board of Directors

### Implementation of Sub-Projects

Level	Step	Responsibility
Local	Assign project	<b>Sponsoring agency/consultants</b> Preliminary and final design Prepared by sponsoring agency or by consultants hired by the SFD where there are no sponsoring agencies available or capable to undertake the design
Local	Preparation of tender documents	<b>Sponsoring Agency/consultants</b> After the design is approved by the Regional Office, tender documents are prepared by the consultant or sponsoring agencies if capable. For minor contracts, simplified documents will be given by the Regional Office to the project committees
Regional local	Tendering or local shopping	<b>Regional Office or Sponsoring Agency</b> Well-organized agencies may procure materials or services costing <\$50,000 per sub-project using price ceilings for materials and works set by the MU (local shopping requires 3 quotations). If no capable sponsoring agencies are available, tendering will be done on a regional basis for sub-projects costing less than \$50,000, NCB for sub-projects costing more than \$50,000 and less than \$200,000, and ICB for sub-projects costing more than \$200,000.
Regional /national	Award of contracts	<b>Regional Offices/Management Unit</b> Tenders will be evaluated by Regional Offices (or MU) with assistance from consultants. Evaluation report forwarded to the MU for approval.
Local	Execution of Sub-projects	<b>Contractors/communities</b> Execution of sub-projects by small contractors or by communities using simplified contracts.
Local	Operation and Maintenance	<b>NGOs/local representations of sector ministries or beneficiaries</b> Training and additional inputs to make the sub-project fully operational will be provided by the different parties involved.

**Palestine**  
**Principal Steps in the Grants and Service Contract Sub-programs**

<b>Grants</b>	<b>Service Contracts</b>
<b>Needs Assessment</b> Identification by the PMO <sup>1</sup> of priority areas and sectors for grant funding	<b>Notice of Pre-qualification</b> Applicants invited to submit pre-qualifications based on their capability and experience
<b>Request for Project Proposals</b> The PMO advertises details of broadly defined sectors and solicits funding proposals from NGOs.	<b>Appraisal of Pre-qualifications</b> The PMO appraises prequalifications submitted by service providers
<b>The Grant Appraisal Process</b> Project proposals are appraised by the PMO	<b>Selection of Consultants for Short list</b> Service providers are short-listed and selected to an 'approved list of consultants'
<b>Project Selection and Approval</b> Selection of projects involves the Supervisory Board of the PMO, consultation with MOPIC <sup>2</sup> and agreement by the World Bank	<b>Notification of Selection</b> The services provider becomes part of an approved pool of consultants who are notified automatically of Invitations to Tender
<b>Grant Award and Disbursement of Funds</b> An NGO may be required to undertake a number of tasks before receiving funds. These might include: changes to work plan and budget, developing indicators to measure project activities.	<b>Invitations to Tender</b> Terms of Reference are drawn up and a Request for Proposals is circulated to the approved list of consultants
<b>Capacity-Building and Implementation -</b> The PMO conducts an assessment of institutional capacity to determine what support grantees may require in the form of technical assistance	<b>Award of Contracts</b> Contracts are awarded on the basis of soundness of technical proposal, cost and availability
<b>Monitoring and Evaluation</b> Monitoring the project and evaluation at the end of the project.	<b>Monitoring and Evaluation</b> Service providers will be monitored in order to ensure compliance with the TORs

<sup>1</sup> Project Management Organization of the Welfare Association Consortium, a consortium of NGOs registered in Europe.

<sup>2</sup> Palestinian Ministry of Planning and International Cooperation.



## Annex 5: Disbursement Procedures (Belize)

**Government of  
Belize**

1. Dereservation

**Current  
Account**

2. Payments

**Vendors**

3. Withdrawal Request

**Loan  
Account**

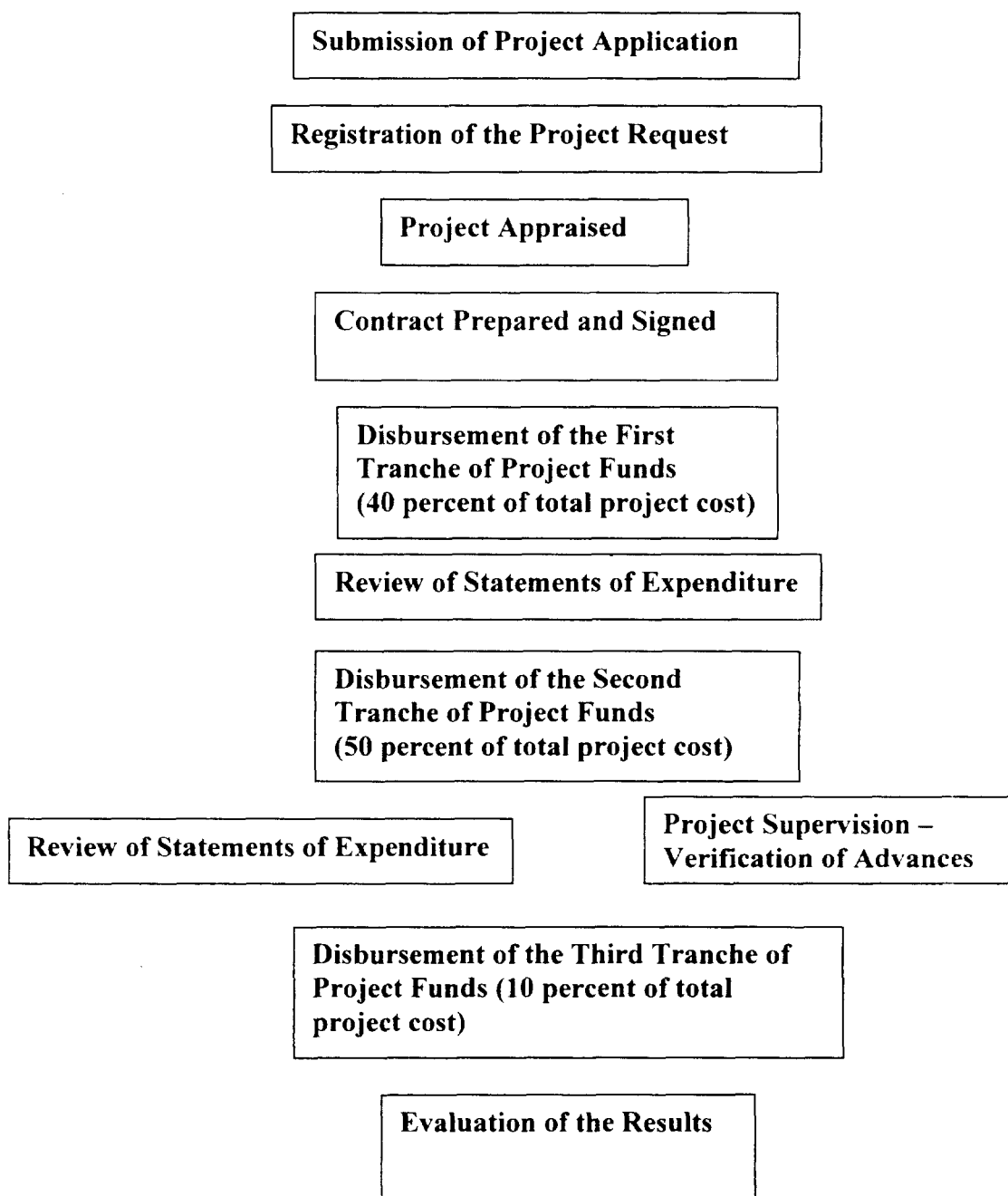
4. Replenishment

**Special  
Account**

5. Reimbursement to Government

**Government of  
Belize**

## Disbursement Procedures Flowchart (Togo)



## **Annex 6: Some Approaches to the Social Fund Operations Manual<sup>3</sup>**

### **1. Policy Framework and Social Fund Objectives in Thailand**

The government of Thailand hopes to transform the economic crisis into an opportunity for social reform at the urban and rural levels. Decentralization, better governance, community empowerment and the formation of broad-based development partnerships involving civil society are at the heart of the program. The fund's objectives include: (a) to encourage social reform through the decentralization of authority to include community participation in development; (b) to strengthen the capacity-building of local communities and local organizations, especially in decision-making and management to be self-reliant in the long run; (c) To promote local self-reliant economic systems; (d) to promote multi-party partnership between the government and the people; (e) to stimulate local participation in social development including the promotion of civil societies and the concept of good governance; and (f) to support investment in community assets such as necessary social and economic infrastructure to communities through the development of human, social and natural resource capital.

### **2. The Moldova Social Investment Fund Objectives**

The Moldova Social Investment Fund was founded to respond to some of the problems that have arisen as a consequence of the break-up of the Soviet Union and the dramatic economic and social transition, which followed. Under the aegis of the government's economic reform program, the role of the social fund is to finance small social and economic infrastructure projects to generate temporary employment and rehabilitate or prevent the deterioration of infrastructure used to provide basic health and education services during the period of economic transition.

### **3. The Cambodian Social Fund Project Menu**

The Cambodian social fund has a well-defined project menu in which all projects eligible for funding are classified by project type (agriculture, education), category (infrastructure, equipment or services), components (canal, dike, materials, equipment, etc.) and project codes pre-assigned to each type of investment to facilitate project administration.

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<sup>3</sup> The examples presented are summaries of the text included in the actual operations manuals. Copies of the full text can be requested from the individual social funds or from the World Bank Social Protection Network.

Project eligibility principles reflect the objectives and policies of the fund and are defined in the operations manual. Project eligibility criteria include sustainability and community participation components. Project proposals are ranked according to three indicators: share of SF finances received by the province; project proposals with the highest social and economic impact; and date of submission of the application. In all cases, highest priority is given to beneficiaries who are the poorest and most vulnerable groups. Sponsoring agencies are encouraged to provide assistance and training to the poorest communities and most vulnerable population groups to enable them to prepare viable projects.

#### **4. Thailand's Project Menu Adapts to Changing Conditions in the Country**

Project menus may be altered to respond to changing conditions within the country. In Thailand, many individuals and families were adversely affected by the economic crisis. The social fund added an immediate community welfare project for the needy to its project menu. The needy groups identified for assistance include students without funds for education or children unable to attend school, AIDS patients, drug addicts, laid off workers and the unemployed, women heads of households, senior citizens whose families can no longer care for them, and families facing hardship because of the death of the principal breadwinner. Monetary transfers in the form of school scholarships, start-up capital for small businesses, subsistence assistance, healthcare expenses, and the arrangement of volunteer caretakers are some of the activities that may be proposed by qualified community organizations who are contracted to administer these programs. A special set of project selection criteria and procedures were developed for this part of the project menu.

#### **5. The Beneficiary Community and Project Targeting in Togo and Romania**

The Togo social fund uses a simple set of criteria for targeting rather than a poverty map. Community members must belong to a village which is eligible to receive funds for basic social infrastructure projects; groups of artisans or peasant associations, women's groups, mixed groups, micro entrepreneurs, groups of families. Rural communities are eligible if (i) there is no primary school within 3 km. that is accessible in all seasons; (ii) there is no potable water available in all seasons within 1 km. of the community; (iii) there is no health center accessible in all seasons within 3 – 5 km; or (iv) there is no road that is passable in all seasons. Periurban areas are eligible if they have no basic sanitation system or

if the existing basic services – health, primary education, and potable water – are inadequate to serve the population in the area.

Romania has adopted the concept of disadvantaged groups to identify the individuals and families who are eligible for community based social services. Street children, orphans who are approaching 18 years of age and have no connections in the outside world, children of families in crisis, disadvantaged women and elderly, the homeless, the illiterate and isolated poor are identified through community outreach efforts. A social assessment team and intermediary agencies including NGOs, local authorities, and community-based organizations are among the resources available to promote the program and confirm that the types of services available are designed to meet the needs of these groups.

#### **6. Ethiopia's Investment Planning for the Social Fund**

Ethiopia's regional offices prepare an annual work program and budget based on the project pipeline and past performance. They also prepare semi-annual and annual implementation and performance reports for the Central Office. A Regional Steering Committee chaired by the chairperson of the National/Regional Council includes representatives of the social development sector, the economic development sector, the planning and economic development bureau, the finance bureau, representatives of civic organizations such as peasant, youth, women and urban dwellers associations and the Manager of the Regional office who is also secretary of the committee. The committee ensures that the operations of the fund in its region are consistent with the fund's Proclamation, the Operational Manual and the decisions of the Board. It reviews and approves the draft annual work plan and budget, the semi-annual and annual reports of the Regional Offices, decides on all subproject proposals recommended by the Regional Office and establishes an intersectoral committee to promote an integrated development approach. Monthly visits to projects in execution by regional office staff provide an opportunity to share information with the community about implementation progress and post financial information in a public place in the community to promote transparency. Project monitoring provides for consultation with beneficiaries and feedback that reflects the views of the community.

## **7. Community Participation in the Project Cycle in Four Social Funds**

Participation and sustainability are seen as two sides of the same coin in Cambodia. The participation, sustainability and monitoring system and follow-up activities identify what is needed to secure community participation, promote sustainability and engage in the monitoring process. The system is used to feed back information to revise procedures and processes to improve effectiveness of the fund. An essential element of this effort is the generation and analysis of information on the ongoing management, planning, financing and implementation of projects and the use of facilities and services financed by the fund. Participation of the beneficiaries is expected at all stages of the project cycle from identification through planning and preparation, appraisal and approval, implementation, monitoring, evaluation and the transfer of the project to the local community.

The manual for the Togo social fund states at the outset that subprojects cannot be financed unless they originate in the beneficiary community and the community participates in the planning and implementation of the project. Community commitment to sustaining the project is an additional prerequisite for project approval. The fund also requires evidence of: (i) the significant and visible participation of women in the identification of needs and the selection of priorities; (ii) an equitable distribution of the community contribution to the project in the form of labor and materials; and (iii) equality of access to the benefits of all projects for both sexes.

The community-based activities of the Romanian social fund begin with the contracting of NGOs to develop participatory rural poverty appraisals, conduct needs assessments and problem identification, identify and train local leaders, assist community groups with organization, registration, participatory techniques, project preparation and implementation. The fund has determined that a minimum period of three months is needed to accomplish this pre-investment phase of the project cycle. In some cases, the NGOs are also expected to assist and collaborate in project implementation.

The Jamaica Social Fund has prepared a community facilities maintenance handbook that outlines the organization of local maintenance committees and the steps to be taken to plan and implement a project maintenance and repair program. It includes instructions on how to prepare a project maintenance activities chart and budget, organize inspections, raise

funds, and keep records. There is also a series of safety tips on chemicals, fire and other hazards, and the use of tools and equipment. The manual was prepared in cooperation with five communities, the ministries of education and health, the social development commission and the public works department.

#### **8. Training for Project Sustainability in Moldova**

Moldova's project menu includes a menu of project sustainability mechanisms. These are expected to build on existing institutions and programs. For all subprojects, training is offered to community members to strengthen their capacity to sustain the project. Each type of project has a list of mandatory and recommended measures. For schools, a Parent Teachers Association must be elected at the beginning of each school year and a School Fund must be created with contributions determined by the PTA. The PTA oversees school operation, maintenance and repair and decides how the school fund is to be used. The PTA must report on its activities at the end of every semester. Some of the recommended actions include the following: (i) the introduction of a Step by Step program into the curriculum (ii) registration of the PTA as an NGO; (iii) development by the PTA of future projects for community and donor consideration; and (iv) the establishment of local branches of NGOs such as Boy Scouts, Girl Scouts, Big Friends/Little Friends that provide activities outside of school for children. For water projects, mandatory actions include: (i) the creation of a Users' Association that will assume responsibility for operation and maintenance of the water system; (ii) installation of water meters to facilitate the collection of user charges by the Users' Association; (iii) establishment of a schedule of tariffs and a collection system; and (iv) creation of a Water Maintenance Fund. Recommended actions include the registration of the Users' Association as an NGO, organization of workshops on water quality for the community, and formation of partnership links to other organizations involved with water issues in Moldova.

#### **9. Social Fund Training Activities in Four Social Funds**

Cambodia's staff training plan includes training for external supervisors in recognition of their important role in assuring the quality and efficient implementation of projects. Some of the areas of emphasis for fund staff training include: (i) the purpose of monitoring and post-hand over work; (ii) establishing project objectives and the development

of project monitoring indicators; (iii) facilitation and field communication skills; (iv) data information, analysis and reporting needs; and (v) creating a strategy, plan and budget for project participation, sustainability and monitoring.

Nicaragua has developed training programs for projects in all sectors. These are automatically included in the project design. The number of hours of training, teaching materials required, number of trainers, training promotion activities and materials required to support promotion through various media can be estimated for each type of project. Training costs are calculated using the standard cost data for each type of training and adjusted according to the size of the community and number of beneficiaries to be trained. The capacity of the community to participate in the maintenance of the project once it has been completed is assessed in order to determine the level of training effort required. For instance, a community with no activity community organization will receive 28 hours of training whereas a community with a community organization that functions well will receive 20 hours of training.

Training is one of the principal activities of the Argentina social fund. In addition to the training associated with the planning, implementation and maintenance of infrastructure projects, training in community organization, needs assessment, project prioritization and preparation is offered to newly formed community groups in areas where there is limited previous experience with the organization and management of community-based institutions. Argentina also finances training in communications and media designed to promote community action and the articulation of community needs. Local community newspapers, magazines, murals, and other information and promotional materials may be designed and produced by the community with support of the fund. Technical assistance to support these beneficiary efforts is an important component of these training programs.

Moldova's social fund activities include training and technical assistance for social fund staff, communities, local authorities, beneficiary/users associations, intermediary agencies, private contractors and other associates to facilitate implementation of the social fund program. The training and related technical assistance is carried out by a combination of consultants and specialized local and foreign institutions. The program is updated on a yearly basis. Project implementation, business management for contractors, financial



management, infrastructure operations and maintenance, accountability and transparency in public activities, the creation and operation of beneficiary users' associations, and operational skills for the management of projects and financing institutions are among the topics included in the capacity building program. Training may be offered on-the-job to social fund staff, in workshops for large groups of participants, in specialized training courses, and as study tours within Moldova and to social fund programs in other countries.

#### **10. Project Monitoring and Evaluation in Argentina and Malawi**

Argentina distinguishes between project control, which is defined as the supervision of the financial, technical and administrative aspects of projects, and project monitoring, which is designed to assess the qualitative aspects of the project including the organization and participation of beneficiaries. Both monitoring processes are expected to run concurrently. The information generated by these two efforts is expected to help the fund to identify difficulties, document achievements, and provide feedback that will lead to suggestions for possible changes in the strategy of the fund. Different points of view are sought in an effort to confirm the validity of the information gathered. Interviews provide information that can improve the quality of surveys and surveys provide data that can be probed in greater depth in interviews. The technical quality of the project, the level of community participation, and transparency in the management of the project are important measures of project achievement. Three indicators used to monitor productive projects include changes in the level of employment in the community, changes in the incomes of beneficiaries, and changes in the savings rate or capacity to save. The system is supported by an interactive information system that allows data from the regions and headquarters to be incorporated into the central database on a daily basis.

In Malawi, project monitoring indicators are categorized as: (i) process and input indicators - training provided, number of women in project committees, number of projects funded, project and overhead costs, number and type of beneficiaries involved; (ii) output indicators - projects completed, cost efficiency and effectiveness, funds disbursed, beneficiaries reached; or (iii) impact indicators - access to safe water, reduction in walking distance to services, effects on the environment, effect of incremental income at the household level, improved pupil to teacher and classroom ratios, reduction in school drop-out

rates, increased economic activity in the project vicinity. Emphasis is placed on utilization, accessibility and/or quality of social and economic services in comparison with the situation before the project.

## **11. The Management Information System in Moldova**

The Moldova management information system for internal monitoring has five main subsystems: resources targeting, microproject portfolio, price unit database, microproject budgeting, and microproject follow-up. The system is bilingual, with all information in the Romanian language and summary information in English. There are two categories of monitoring indicators, the individual microproject indicators and the Executive Office performance indicators. There are auxiliary databases on supervisors, contractors, implementing agencies, NGOs and personnel of the social fund that are also maintained by the MIS.

**Kimberly Shanea Zellars**  
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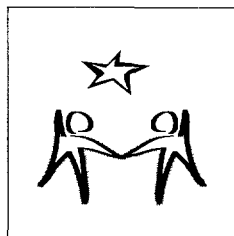
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### **Summary Findings**

Social investment funds are being used in a growing number of countries to alleviate the impact of political, social and economic crises, cushion the impact of adjustment programs, generate employment and finance small-scale investments in poor communities. The social fund operations manuals promote transparency with respect to social fund organization and the administrative, financial and technical arrangements used by the fund to execute its program. This study reviews the operations manuals of fifteen social funds, notes variations in content and structure and discusses elements that are essential and those that are unique to some of the funds. It proposes a set of guidelines for addressing some of the core issues in the preparation of social fund operations manuals. The paper concludes with some recommendations for improving the quality and utility of the social fund operations manuals.

**HUMAN DEVELOPMENT NETWORK**

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